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World Business Newspaper

THURSDAY JANUARY 19 1995

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PepsiCo campaign aims for top spot in world cola markets



PepsiCo is launching a multimillion dollar campaign to break Coca-Cola's dominance of international cola markets, with a series of television commercials which will test the laws of comparative advertising. The advertisements, to be screened in 30 countries, will take a humorous swipe at Pepsi's rival. They will include scenes of an elderly Italian woman falling asleep over a Coke or of supermodel Cindy Crawford (above) reviving a Pepsi drinker, mention Coke by name and feature its distinctive cans. Such explicit presentation of a rival's product is banned in some countries. Page 12

Groupe des Assurances Nationales, France's state-controlled insurance company, confirmed it would need a recapitalisation from the government of up to FF3bn (\$560m) to cover losses for the 1994 financial year. Page 13

British inflation rises UK government ministers played down fears that another sharp rise in interest rates was needed to stop the economy overheating, as official figures showed a big jump in inflation and one of the largest falls in unemployment on record. Page 12 and Lex; Samuel Brittan, Page 10; Editorial Comment, Page 11

Clinton shores up Mexico package President Bill Clinton moved to shore up crumbling support for a \$40bn package of loan guarantees to Mexico, as worries that congressional approval could be delayed depressed the Mexican stock market and the peso. Page 5

US and Russia say ties will endure The US and Russia pledged to keep their relationship intact after a two-day meeting, but both sides acknowledged there were substantial differences over security issues. Page 3

IBM judge removed after 40 years The 84-year-old US judge who has overseen IBM's antitrust battle for the last 40 years has been removed from the case by a federal appeals court which questioned his impartiality. Page 5

Chinese inflation eases Inflation slowed in China in December for the second successive month, reversing a trend that pushed annual consumer price rises in late 1994 close to 30 per cent. Page 4

Digital Equipment, struggling US computer group, reported a return to profitability in its second fiscal quarter with a modest increase in revenues and sharp cost cutting, including the loss of 6,200 jobs or 11 per cent of the workforce. Page 13

BTR, UK based industrial conglomerate, will announce today that Ian Strachan, deputy chief executive of mining group BTR Corporation, will succeed Alan Jackson as its chief executive early next year. Page 13

US Nintendo fights Samsung Video game maker Nintendo of America has started legal action against Samsung, accusing the Korean chipmaker of supplying chips with Nintendo software to people pirating one of their most popular games. Page 16

Drug sales rise Drug sales in the world's 10 biggest markets reached \$100bn between January and October last year, a 5 per cent rise over the same period in 1993. Page 6; Roche and Pfizer results, Page 14, Lex, Page 12

Spain 'on track' for Euro Spain is on track to reduce its budget deficit to 3 per cent of gross domestic product by 1997 in line with the Maastricht treaty's conditions for economic and monetary union, said Spanish finance minister Pedro Solbes. Page 2

Czechs seek higher retirement age The Czech cabinet passed a controversial draft law which will raise the retirement age for men from 60 to 62, and for women from 54 to 57-61, depending on the number of children they have.

Brussels defeated on big bikes A European Commission plan to ban powerful motorcycles from European Union roads was defeated by European MPs. The proposal would have limited the power of motorcycle engines to 100 brake horsepower, affecting bikes above about 600cc.

Stone Age cave paintings found Caves containing 300 perfectly preserved Stone Age paintings of bison, reindeer, rhinoceros and other animals - apparently untouched for some 20,000 years - have been discovered in southern France.

STOCK MARKET INDICES			NORTH SEA OIL		
New York 15-day			August Brent 15-day		
Dow Jones Ind Av	3,915.86	(-14.80)	(Mar) \$16.745	(16.650)	
NASDAQ Composite	769.8	(-2.54)	GOLD		
Europe and Far East:			New York Comex		
GDAXI	1,821.27	(+3.3)	Feb	332.8	(380.8)
FTSE 100	2,876.85	(-6.02)	London:		
FTSE 100	3,054.9	(+0.5)	close	333.8	(377.8)
Nikkei	19,223.3	(-15.01)	DOLLAR		
US LUNCHTIME RATES			New York 15-day		
Federal Funds	5.75%		£	1.5385	
3-month T-bill	5.85%		DM	1.5345	
Long Bond	7.78%		FF	5.298	
OTHER RATES			SFR	1.29125	
UK 3-month Interbank	8.15%	(8.14)	Y	98.955	
UK 10 yr Gilt	7.75%	(7.73)	London:		
France 10 yr OAT	6.65%	(6.63)	£	1.5715	(1.5682)
Germany 10 yr Bund	6.65%	(6.63)	DM	1.53	(1.532)
Japan 10 yr JGB	6.65%	(6.63)	FF	5.2675	(5.268)
			SFR	1.288	(1.2875)
			Y	98.825	(98.875)
			Telny close:	Y 98.94	

Australia	60.05	Germany	100.00	Italy	100.00	Spain	100.00	UK	100.00	US	100.00
Belgium	100.00	Hong Kong	100.00	Japan	100.00	South Africa	100.00	Sweden	100.00	Switzerland	100.00
Canada	100.00	India	100.00	Malaysia	100.00	Netherlands	100.00	Norway	100.00	Portugal	100.00
Denmark	100.00	Philippines	100.00	Russia	100.00	Singapore	100.00	South Korea	100.00	Taiwan	100.00
France	100.00	Saudi Arabia	100.00	Thailand	100.00	Turkey	100.00	USA	100.00	West Germany	100.00
Germany	100.00	USA	100.00	West Germany	100.00	Yugoslavia	100.00				

Earthquake island mourns its dead with flowers

By Emiko Terazono in Awajishima, Japan

Amid the slow chant of the Lotus Sutra by nine Buddhist monks clad in purple and saffron, the residents of Hokudanchu, on the island of Awajishima, gathered yesterday for the joint funeral of 38 earthquake victims. White chrysanthemums were laid in front of the coffins, placed on a stage in the town hall auditorium. Three of the coffins were smaller than the others, for children who lost their lives in Tuesday's earthquake, which had its epicentre below the island. Families of the victims sat in the front rows, wrapping themselves tightly in relief blankets. "My house fell on me, but I was rescued by my brother," wept one relative. "I'm sure mother was also waiting for help." One middle-aged woman staggered out of the auditorium in tears, supported by family members. Although Awajishima did not see the widespread fires of nearby Kobe, old-style houses in the northern part of the mountainous island were destroyed. Many of the victims were those who could not be rescued from under rubble of their homes. In Hokudanchu, many residents were forced to take shelter in the town hall. Although attending the funeral, some

The death toll from the Kobe earthquake passed 3,000 last night, with more than 850 still unaccounted for under the rubble. Rescue efforts appeared dwarfed by the growing disaster, as fires continued to blaze in central Kobe and infrastructure chose to remain under blankets and covers as if to shut out reality. Others tried to look on the bright side. "We should be grateful that at least we're alive," said an elderly woman. Among those who had died in Hokudanchu were an 11-month-old baby and a two-year-old child. Before the small coffins were carried on to wagons for cremation, the father of one child, his eyes red from grief, peered into the small coffin, and placed there a box of chocolates. Friends of the children cried silently as the coffins were carried away. But even as people paid their respects to the dead, after-shocks from the earthquake, accompanied by a deep growling sound, shook the island. "Luckily we have enough food and other supplies sent to us, but the water pipes have been totally destroyed," the Hokudanchu mayor told people in the auditorium. "This (earthquake) is no one's fault; we just have to help each other and live through it."

New tremors, although small, have kept residents of Awajishima awake. Mr Takuei Tono, a middle-aged resident, said the shaking made more real the predictions by seismologists that a big aftershock would hit the region within 10 days. In Ichinomiya, just south of Hokudanchu, the damage was not as bad and residents returned in spite of police warnings that some houses were in danger of crumbling. They carried out whatever they could including food and bedclothes. The island's residents are mostly part-time farmers, cultivating flower and fruit fields, and commuting to offices in Kobe and Osaka. For some farmers in the south, there was little damage to property, and it was almost life as usual yesterday as they tended flowers to be shipped to other parts of the country. A large statue of a goddess survived in the south of the island, but many shrines and temples in the north were destroyed.

Balladur joins Chirac in French presidency race

By David Buchan in Paris

Mr Edouard Balladur, the French prime minister, yesterday declared his long-expected candidacy for the presidency, claiming that he had got the economy "moving forward again" and that he would secure a "prosperous, fair and influential" future for France.

The 65-year-old prime minister's decision brings into the open the split in his Gaullist RPR party, whose long-time leader, Mr Jacques Chirac, is also campaigning for the presidency. In spite of Mr Balladur's overwhelming lead in the opinion polls, two-thirds of RPR parliamentary deputies and regional federations have declared for Mr Chirac. Mr Balladur has all but four of his 29 ministers on his side, as well as the rank and file of his centre-right UDF coalition partner.

In an eight-minute television broadcast, Mr Balladur said he planned to wage a "positive, serene and optimistic" campaign for the two-stage election. There will be a final run-off on May 7 between the two candidates who receive the most votes in the first round of voting on April 23.

Balladur exploits his novelty appealPage 2
Editorial CommentPage 11

French presidents are elected for seven years.

The Socialist party will choose its candidate on February 5, and there is still an outside chance of Mr Raymond Barre, the former prime minister, or Mr Charles Millon, the UDF parliamentary leader, running in UDF colours.

Competition for the Socialist nomination - turned down last month by Mr Jacques Delors, the outgoing European Commission president - revived yesterday as Mr Henri Emmanuelli, the party first secretary, entered the fray against Mr Lionel Jospin and Mr Jack Lang, two former education ministers.

As prime minister in office and front-runner in the polls, Mr Balladur yesterday made no mention of Mr Chirac or the seven other declared candidates.

Promising more detail during the campaign, he kept to generalities about "indispensable reforms" in employment, educa-

tion, the fight against corruption, and about making France "the motor of European progress".

The campaign coincides with France's chairmanship of the European Union Council of Ministers, so other European governments, as well as French voters, will want to know what line Mr Balladur as president would take in next year's EU constitutional conference.

Mr Balladur's rivals were quick to respond yesterday. Mr Jean-Louis Debré, Mr Chirac's campaign manager, said he was baffled that the prime minister should run on a platform so similar to that of Mr Chirac, while 18 RPR deputies revived the potentially damaging charge of Mr Balladur's alleged betrayal of Mr Chirac.

They took a full-page advertisement in the Liberation newspaper to reprint Mr Balladur's statements before he became prime minister in April 1993 that he would not use the office as a springboard for the Elysée.

Complaining of Mr Balladur's soporific style, the Socialist Youth Movement said: "Having Balladur as president would be like dressing France in pyjamas for seven years."



Balladur: plans "positive, serene and optimistic" campaign

Volvo to expand its automotive operations in Europe

By Kevin Done in London and Christopher Brown-Humes in Stockholm

Volvo, the Swedish car and commercial vehicle maker, yesterday announced plans to invest around SKr5bn (\$671m) in the expansion of its car and truck businesses in Europe.

The group is moving aggressively to strengthen its automotive operations after the collapse of its planned merger with Renault, the majority French state-owned vehicle maker, more than a year ago.

The expansion comes as Volvo's profitability is recovering in response to a tough restructuring programme carried out during the recession and to rising demand in world auto markets.

Volvo, the world's second largest heavy truck maker, is investing SKr1.7bn to expand its truck production outside North America by 20 per cent to 60,000 trucks a year by 1997.

In other moves it is:
● Joining forces with TWR, the specialist UK automotive engineering group controlled by Mr Tom Walkinshaw, to produce

Continued on Page 12
Lex, Page 12
Volvo takes wraps off expansion strategy, Page 15

Fate of Italian government in balance

By Robert Graham in Rome

The fate of Italy's 54th postwar government hung in the balance last night as moderates in Mr Silvio Berlusconi's Forza Italia movement yesterday sought to head off a direct clash between the former premier and Mr Lamberto Dini, his newly appointed successor.

At the same time Mr Dini appeared ready to woo Mr Berlusconi and his allies in the outgoing rightwing coalition by offering them some junior ministers' jobs. But as Mr Berlusconi formally handed over his office to Mr Dini at the Palazzo Chigi yesterday, the two men themselves gave little sign of being willing to compromise. Mr Berlusconi remained furious over the way Mr Dini had ignored pleas to include ministers openly sympathetic to the coalition in the cabinet. The government's precarious plight left the financial markets nervous with the lira trading at L1,065 against the D-Mark.

As the 20 strong cabinet of

Santer Commission wins MEPs' support

By Lionel Barber in Strasbourg

The European Parliament yesterday gave a resounding vote of confidence in the new European Commission led by Mr Jacques Santer, averting a confrontation with EU governments.

After a two-day debate, the parliament rallied behind Mr Santer and voted to support the 20-member Commission by 416 votes to 103, with 59 abstentions.

The vote marked a coming of age for the 626-member parliament. Along with recent EU members from Austria, Finland and Sweden, the MEPs exercised new powers granted under the Maastricht treaty to approve or veto down the incoming Commission as a whole.

But, in a deft performance, Mr Santer called the Parliament's bluff over its criticism of five commissioners. His promise to upgrade or personally supervise policy on equal opportunity, development policy and human rights deflected calls for a reorganisation of portfolios.

"I am very happy with the result," said Mr Santer. Yesterday's vote was also considerably stronger than the lukewarm endorsement he won from the Parliament last July.

Mr Klaus Hansch, speaker of the Parliament, said the vote of confidence strengthened the democratic legitimacy of the Commission. "There are two winners: the new Commission and the Parliament," he said. "You don't only exert influence by saying No, you can also carry weight by saying Yes."

Despite mutual expressions of bonhomie, the manoeuvring pointed to a future power struggle between the Parliament, the Commission and the EU's governing Council of Ministers, which is likely to come to a head during the 1996 inter-governmental conference to review Maastricht.

Many MEPs remained outraged by an alleged remark by Ms Ritt Bjerregaard, the new Danish commissioner, that the Strasbourg assembly was "not a real Parliament", though she insisted that she had been misquoted.

Mr Santer held three conversations with Ms Bjerregaard to extract a pledge to respect and co-operate with the Parliament. Aides described the new commissioner as "unbelievably stubborn".

The Santer Commission will begin its five-year term on Monday after EU foreign ministers rubber stamp the necessary legal documents. One of its first challenges is to deal with French demands for a revision of the television without frontiers directive, to restrict the import of cheap foreign film and television programmes, particularly from Hollywood.

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NEWS: EUROPE

Berlusconi and allies thwarted by new PM, writes Robert Graham

Dini victim of others' political ambitions

The cynical treatment of Mr. Lamberto Dini, Italy's new prime minister, by his colleagues in the outgoing government is reminiscent of the traditions of mafia gunmen. When the hit man confronts his victim and pulls the trigger, he mutters: "It's nothing personal."

In withdrawing support the moment Mr Dini presented his cabinet to President Oscar Luigi Scalfaro, former premier Silvio Berlusconi and allies have sought to stop the new administration in its tracks. This had little to do with the person of Mr Dini, one of the few distinguished ministers serving under Mr Berlusconi, or with those chosen for the slimmed-down 20 person cabinet - even though there were complaints about the failure to include ministers from the outgoing right-wing coalition.

The real reason was much cruder. The nature of Mr Dini's emergency mandate conflicts directly with the political ambitions of Mr Berlusconi and his allies.

A successful Dini government, the second to be headed by a technocrat premier from the Bank of Italy in two years, would highlight the inadequacies of Mr Berlusconi's eight month period in office. More important, the longer Mr Dini stays prime minister, the more Mr Berlusconi becomes separated from the apparatus of power. Also, the media magazine turned politician cannot sustain indefinitely the sympathy vote he is drumming up as

the supposed victim of a plot to remove him from power.

Mr Berlusconi therefore needs quick elections. As a compromise to break the deadlock last week over his resignation, he accepted Mr Dini as premier of a government of technocrats on condition that elections be held no later than June. At first he demanded elections at the end of March.

President Scalfaro made no public commitment to a date for elections. Nor did Mr Dini, as this would make the government hostage to fortune. Besides, a June election would allow the new government less than two months effective operations as 45-60 days have to elapse between the dissolution of parliament and the holding of elections.

Two months would be extremely short for the four essential tasks Mr Dini has set his government - improving public finances (an early mini-budget), reforming the deficit-ridden state pensions system, introducing new regional electoral laws and providing for more balanced controls of the media.

If Mr Berlusconi did not realise these considerations when he agreed to back Mr Dini for premier, then he was poorly advised. Alternatively, he and his main ally, Mr Gianfranco Fini, the leader of the neo-fascist MSI/National Alliance, wanted to sabotage the operation from the outset.

Mr Dini now has less than a week to persuade Mr Berlusconi and his allies to change

their minds and back him in the parliamentary vote of confidence which the new government must face. The 53-year-old premier has at best a razor thin one or two seat majority in the chamber of deputies with the support of the centre parties, the moderate left and a full complement of the Northern League. Reconstructed Communism, the hard core of the old Italian Communist party, will vote against Mr Dini on the grounds that a left-wing party cannot support a free-market government of the centre-right.

Yesterday it looked as though Mr Dini might just scrape through the vote. Failure would make it very difficult for President Scalfaro to find someone else. It would also be a blow to the head of state's prestige, having staked everything on avoiding early elections.

The cabinet team Mr Dini has put together reflects his commitment to President Scalfaro to find technically able people with little direct connection to political parties. None is a sitting member of parliament and only two have had previous ministerial experience.

Mr Dini has relied heavily on academia with seven out of 20 coming from Rome's Sapienza University. Some are old acquaintances identified with the former Andreotti wing of the Christian Democrats. He retains the key treasury portfolio but has appointed Mr Dino Piero Giarda, a senior Treasury



Mr Dini on his way to work at Palazzo Chigi yesterday

official, as his deputy. The budget portfolio has gone to the respected economist Raipier Maseri, the head of Inui, while the finance ministry is filled by Mr Augusto Fantozzi, a tax expert who has not always agreed with Mr Berlusconi to draw up anti-trust legislation on his media holdings. One novelty is the introduction of a military man, General Domenico Cordone, former chief of defence staff, to head the defence ministry.

The labour ministry, due to play a vital role in dealing with pension reform, has gone to Mr Tiziano Treu, a leading labour

law expert and respected by the unions with whom he will have to deal. The posts ministry, which will have to tackle reform of television licensing, has gone to Prof Agostino Gambino, one of the three men selected by Mr Berlusconi to draw up anti-trust legislation on his media holdings. One novelty is the introduction of a military man, General Domenico Cordone, former chief of defence staff, to head the defence ministry.

Austrian shoppers cream off benefits from EU

Vienna is all about champagne and whipped cream. So what could make the Viennese happier than sudden and massive price reductions to these two frothy adjuncts to the good life?

On January 2, the day shops opened after the new year holiday, the Viennese could hardly believe their eyes. The price of a quarter litre of whipping cream had halved to less than Sch9 (92 cents).

Ever since, shoppers have had to get to the supermarkets before noon if they want to get their beloved Schlagsobers. "It is unbelievable. Can people really be hoarding whipping cream?" asked one Viennese housewife last week.

The fall in champagne prices is less dramatic, but nevertheless welcome, at around 10 per cent, thanks to the removal of tariffs protecting the local Sek.

And this is only the beginning. Over the next few months, prices on a broad range of consumer items, from cars to insurance policies, should fall markedly.

The cause of this windfall is undeniably the EU. Austria's entry into the European Union.

The sudden big price cuts on many food products in Austria were predictable because the country agreed to join the Common Agricultural Policy (CAP) from the moment it became a member of the EU. While many people look on the CAP as an expensive farm subsidy system, Austria's own subsidy system was even more bloated.

Thus the real costs of dairy and grain related products slumped overnight and the leading supermarket chains made the most of the situation by launching price wars. One claimed it was cutting prices on 800 items, another responded with reductions on more than 1,000.

In some stores, milk is down by a fifth to Sch9 per litre. White flour has tumbled two thirds. "Ab sofort billiger!" ("Immediately cheaper!") shout signs in the Billa supermarket chain decorated with a circle of blue EU stars.

Prices of many processed products have come down well before the raw material price changes can have been felt. Margarine and butter are down by 15 per cent to 20 per cent. Declines in others, notably beer, are expected soon.

Brigitte Ederer, European affairs minister, has predicted that EU membership will save Austrians some Sch100 a month on grocery shopping. Complaints from farmers have been muted so far as they will receive direct payments over the next three years to cushion the blow. EU support for mountain farmers will be more generous than the local one.

In other sectors EU competition rules are forcing change. The Austrian National Bank last week announced that it would stop allowing the savings banks' central institution to earn 2.5 per cent on minimum reserves at the central bank. This has been a blatant discrimination in favour of the savings banks worth some Sch500m a year. Commercial banks receive no interest on their minimum reserves.

A domestic cement cartel has had to be scrapped, but it had been pretty well undermined in the past five years by cheap imports from eastern European countries.

Mr Helmut Kramer, director of the Austrian Institute of Economic Research, says he is now confident that inflation will fall from last year's 3 per cent to 2.5 per cent this year.

Real economic growth will reach 3 per cent, he predicts, the same level as last year and restrained only by a rapid increase in import penetration in sectors where Austrian suppliers have suddenly become uncompetitive.

Ian Rodger

EUROPEAN NEWS DIGEST

Accountants in Procedo action

The German arm of Price Waterhouse, the international accountancy group, has made a preliminary legal claim of DM2.34bn (\$1.53bn) against Procedo, the factoring company linked with Balsam, the sports flooring concern which collapsed last year. It said this was a precaution in case it had to pay damages to Procedo's creditor banks, which have accused the auditor of failing to spot fraud. Price Waterhouse also said it would submit a similar claim against Balsam and two Balsam managers. Price Waterhouse said its lawyers believed Balsam and Procedo bore responsibility for deceiving the auditors about the fraud.

Procedo filed for protection from creditors last summer with bank debts of DM1.8bn. This followed alleged fraud at Balsam, its biggest client. As Balsam's factoring agent, Procedo bought up most of the company's claims on customers. But the invoices mostly turned out to be worthless. The contracts had been inflated or fabricated, creditors alleged. Price Waterhouse and its unit FWP were auditors for Balsam, whose management board is under arrest for allegedly obtaining credit through fabricated data and using the money for foreign exchange speculation. The creditor banks are preparing a DM250m claim against Price Waterhouse but the auditing firm said the banks' claims were unfounded and it was defrauded in the same way as the banks. *Andrew Fisher, Frankfurt*

French discover cave paintings

The French government yesterday announced the discovery of a series of underground grottoes containing some of the most important prehistoric wall paintings unearthed for many years. Researchers in the Ardèche region in southern France are studying more than 300 pictures in the caves left by prehistoric painters between 15,000 and 20,000 years ago. The discovery, made in December, was kept secret until this week to ensure the paintings' security.

The paintings could radically change archaeologists' understanding of the region's habitat in the prehistoric period because they include pictures of animals, such as the rhinoceros, not previously known to exist at that time. Archaeologists said the paintings were at least as significant as those discovered at the famous sites of Lascaux and Altamira. The paintings include human hands, a large number of individual animals and herds, and fighting scenes of lions, horses, bison and panthers. Mr Jacques Toubon, minister of culture, said he was "extremely moved" by the discovery, which would lead to a considerable scientific programme. *Andrew Jack, Paris*

Germany refuses UN appeal

Germany yesterday told Mr Boutros Boutros Ghali, United Nations secretary general, that it was not prepared to set aside troops from the Bundeswehr for the UN's planned rapid reaction forces. Mr Boutros Ghali, who yesterday met Chancellor Helmut Kohl, foreign minister, and Mr Volker Rühe, defence minister, wants Germany to play a greater role in the organisation's peacekeeping operations. But there is no political consensus among Germany's main political parties or between the foreign and defence ministries about the extent of Bonn's military role in the post-cold war era. "In principle we support the idea of this standby troop arrangement. But each case has to be considered. Also, it is still waiting to know the command structure of these units," a foreign ministry official said. Germany first committed troops to the UN in 1950 after the UN was ruled no longer unconstitutional for German troops to serve out of Nato territory. Germans already man Nato's Awac aircraft over Bosnia and recently Bonn said it was prepared to send troops to help if UN forces withdraw from the former Yugoslavia. *Judy Dempsey, Bonn*

New measures to defend rouble

The Russian central bank, in its uphill struggle to defend a plummeting rouble, yesterday imposed tough new reserve requirements on commercial banks. Bankers were critical of the rules and sceptical that they would help the rouble. The central bank introduced a measure requiring commercial banks to convert 2 per cent of dollar holdings into roubles at the interbank exchange rate and to deposit these roubles with the central bank. It also increased the reserve rate for short-term liabilities from 20 to 22 per cent. These measures come on top of Tuesday's requirement for commercial banks to reduce their open currency positions by 30 per cent. The rouble, which was trading at 3,983 to the dollar on the interbank exchange yesterday and changing hands among dealers at even lower rates, showed few signs of recovery. *Christina Freeland, Moscow*

UN commander flies to Tuzla

General Sir Michael Rose, UN commander in Bosnia, yesterday flew to Tuzla, the north-eastern Moslem stronghold, in an effort to end a blockade by Bosnian government forces of UN troops. Bosnian government forces have blocked some 1,000 UN peacekeepers for eight days in protest against the deployment of a Serb liaison officer at the Tuzla airfield.

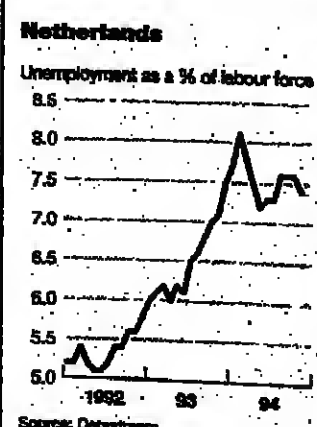
In Sarajevo, a session of the assembly of the Muslim-Croat federation was cancelled yesterday when Mr Kresimir Zubak, Croat president of the federation, refused to step down in favour of Mr Ejup Ganic, Moslem vice president. The federation agreement, which was brokered last spring by Washington, to end a year of fighting between the Muslims and Croats, calls for the post to be rotated between the two communities every six months. The Croats argue that if Mr Ganic becomes president the Muslims will hold all key posts in the federation. *Laura Silber, Belgrade and Anthony Robinson, London*

German shopping hours study

Mr Günter Rexrodt, German economics minister, said support for the liberalisation of shopping hours seemed to be increasing but he did not intend to force the issue ahead of a study due this summer. After meeting retailing associations on Tuesday night, he said he would now invite trade unions for discussions. Unions are hostile to any relaxation of shopping hours as they believe this would put more pressure on their members. Mr Rexrodt said opinion among retail groups ranged from support for complete liberalisation to maintenance of the status quo. *Andrew Fisher, Frankfurt*

ECONOMIC WATCH

Rise in Dutch unemployment slows



the last quarter of 1993. *AP-DJ, Amsterdam*
 ■ Consumer prices in Austria were unchanged in December from November and were up 2.6 per cent from a year earlier.
 ■ Bulgaria posted a current account surplus of \$408.6m in the third quarter of 1994 after a \$182.2m surplus in the previous quarter.
 ■ Slovakia's industrial output rose by 8.3 per cent in November compared to the same period last year.

Balladur exploits his novelty appeal

France's PM may be the oldest candidate but is relatively new on the scene, writes David Buchan

One of the undoubted attractions for a fledgling French public of Mr Edouard Balladur, who yesterday formally announced his bid for the presidency, is that he is a relatively new product on the market.

It may seem odd that the 65-year-old prime minister should be regarded as a novelty, particularly when he is older than anyone else in the race, including his Gaullist rival, Mr Jacques Chirac, two years his junior. But compared to Mr Chirac, twice a minister and twice prime minister, Mr Balladur came to the prime minister's Matignon office in April 1993 having been a minister for only two years - in 1986-93 - and with little parliamentary experience.

True, he has won election three times, but French MPs must resign their seats when they become ministers. Mr Balladur thus only saw the benches of the National Assembly during the 1983-93 years of conservative opposition. It would in any case be hard to imagine him emerging out of the burly-burly of a British or German parliamentary system. Mr Balladur has an oriental aura of smooth inscrutability, a quality that could be glibly attributed to being born into an expatriate French banking family in Smyrna (Izmir in modern Turkey) if it were not for the fact that

his parents moved to France when he was very young.

By contrast, it is far easier to picture him as the senior official that he was for Georges Pompidou when the latter was prime minister (1962-69) and president (1969-1974), gliding in Jeeves-like with dossiers and advice to help his master crack such crises as the May 1968 insurrection.

By giving pay increases to the unions, the then government deflected workers from joining the students en masse on the streets. The experience left Mr Balladur with a fear of social explosion recurring, which showed itself when he yielded to Air France strikers in autumn 1993.

Equally, one could see him as a priest; he is said to get his socks from Rome to go with his old-fashioned three-piece suits from London. Indeed, when the death of President Pompidou in 1974 brought his Elysée service to an end, the incoming administration of Mr Valéry Giscard d'Estaing offered him the ambassadorship to the Vatican. He refused, and began a long stretch in business.

He worked first for the company building and operating the Mont Blanc tunnel, close to his present-day holiday home at Chamonix, and then for the COE company which eventu-

ally became today's Alcatel group. The associations and friendships he developed during this period, with the likes of Mr Pierre Suard of Alcatel and with the Rothschild family, bolster his image as a "grand bourgeois", though one with an austere work ethic. He rises very early in his apparently rather gloomy 19th-century apartment near the Trocadéro, and is generally at his Matignon desk by 7am.

On the road to becoming favourite for the presidency, he has had his share of luck. "There is no great career in which chance does not play a role," he noted last year. That was before Mr Jacques Delors, the European Commission president and the only man to top Mr Balladur recently in the opinion polls, decided not to run for the Elysée. So, Mr Balladur might have had in mind

the way his erstwhile patron, Mr Chirac, enticed him back into politics, parachuted him into a well-to-do constituency in Paris's 15th arrondissement in 1986, and then promptly made him finance minister in his government.

But Mr Balladur bristles at Mr Chirac's charge that he betrays an understanding whereby he got the Matignon in return for leaving Mr Chirac with a clear run at the Elysée. The Balladur camp insists, probably rightly, that their man became prime minister because Mr Chirac did not want the job again, and that even if the latter had desired a third stint in the Matignon, President François Mitterrand would never have allowed it. It is, however, equally true that back in 1990 Mr Balladur had lulled any Chirac suspicions by writing that a new prime minister should not himself run for the Elysée. Some time thereafter Mr Balladur changed his mind. Quite when is not clear - perhaps as long ago as April 1993 when he effectively widened his own political base by giving more than half the cabinet jobs to the centre-right UDF federation, the RPR Gaullists' coalition partner; perhaps later that year when he had brought France through the Gatt crisis.

All he will say is that "one day I had the feeling I could do a little less badly than the others". This double negative is very Balladurian, illustrating the inner resolve and outer caution of the man. Typical of this caution is Mr Balladur's expressed hope to reduce the record number of 3.8m unemployed by 200,000 a year over the next few years; he resolutely refuses to turn this into an election "pledge", even though figures and forecasts by Insee, the official statistics agency, show that precisely such an improvement is currently taking place in the job market.

In his 22 months in office, he has started to reform the welfare, health and pension systems and to relaunch privatisation, thus partially refuting charges, from the right as well as the left, that he has been a do-nothing prime minister. But he has never claimed that the fact that he has had to "cohabit" with a Socialist president has restrained him from moving faster, acknowledging rather that the pace of reform has been more determined by his own cautious temperament.

Indeed, he believes his *douce cohabitation* with President Mitterrand has been a cause of his popularity. In press conferences at European or bilateral summits with foreign leaders, he has sat demurely listening to his chief of state, and biding his time. Now he reckons that time has come.

Spain 'on track' to cut budget deficit

By David Marsh and Tom Burns in Madrid

Mr Pedro Solbes, Spanish finance minister, said yesterday Spain remained on track to reduce its budget deficit to 3 per cent of gross domestic product by 1997, in line with the Maastricht treaty's conditions for European economic and monetary union (Emu).

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In the face of financial market doubts over Spain's economic strategy, Mr Solbes outlined plans for fresh spending cuts next year, in addition to a new package of 1995 budgetary savings which will be implemented before the end of this month.

Mr Solbes said in an interview he was confident of a rapid end to the last 10 days of exchange rate turbulence which has prompted strong selling pressure on the peseta, weakening the currency to Ptas7 to the D-Mark. "The economic fundamentals are good," he said, adding that he hoped the peseta would soon return to Ptas5 to the D-Mark.

the exchange rate at the end of last year.

The peseta has weakened amid doubts over the stability of the minority government of Mr Felipe Gonzalez, the prime minister, following a string of political scandals. Mr Solbes said the foreign exchanges were "paying too much attention to political uncertainties" and he emphasised that the government would not bow to opposition calls for early general elections.

According to authoritative estimates in Madrid, the Bank of Spain said DM44bn (\$2.6bn) on Tuesday of last week when the Spanish currency touched Ptas6 to the D-Mark. However

Mr Solbes refused to comment on the central bank's reported intervention, saying only that the institution had "comfortable reserves".

Mr Solbes brushed aside doubts about Spain's ability to fulfil its Emu convergence programme, announced last summer, under which the budget deficit is due to be reduced to 5.9 per cent of GDP this year, to 4.4 per cent in 1996 and to 3 per cent in 1997. Last year's budget deficit is estimated to have been 6.7 per cent.

"I think there have not been sufficiently important changes to alter our view on convergence," said Mr Solbes.

The minister expects

improvement in the budget deficits through increased tax revenues as the domestic economy picks up in the next two years, but he conceded that efforts to cut spending in real terms would be necessary next year.

Mr Solbes is already having to weather a setback to his 1995 budget plans caused by the impact of higher capital market interest rates on Spain's debt service costs. He expects to announce specific measures within the next two weeks to reduce 1995 expenditure by Ptas150bn (\$1.12bn), largely focused on reduced transfers to public sector companies.

Kohl tries again for consensus on energy

By Judy Dempsey in Bonn

Chancellor Helmut Kohl has summoned ministers, party leaders and parliamentary faction heads to talks next week aimed at reviving a debate on how Europe's most powerful economy uses and pays for its energy.

The talks, which are supposed to set out a long-term energy strategy particularly for the coal and nuclear power industry, collapsed in late 1993 after a year-long effort to negotiate a cross-party compromise on energy. They were not resumed last year because of the elections. But Mr Kohl and his ministers are coming under increasing pres-

sure to resume the talks following a recent decision by the constitutional court. The court ruled that current methods of subsidising the country's unprofitable coal industry were unconstitutional and insisted that the government find alternative ways of financing domestic coal by 1996.

Currently, each tonne of German coal is subsidised by about DM180 (\$118) in order to match low import prices. A tonne of west German coal costs DM280-DM290 compared to imported coal which costs DM83-DM90 a tonne. A 7.5 per cent levy on industrial and consumer electricity prices, known as the *Kohlepremier*, was introduced in 1976 to

protect domestic coal production against cheap coal imports. Total annual subsidies amount to DM7.5bn.

However, the country's main political parties are deeply divided about how to subsidise the industry. Kohl's governing Christian Democrats want to finance coal through a tax on electricity which would be largely borne by domestic consumers and not industry. The Free Democrats, junior partner in the coalition, split between scrapping the subsidies completely and a European-wide energy tax.

The Christian Socialists, the CDU's Bavarian sister party, oppose any energy tax because it would be disad-

vantageous to nuclear power, an important energy provider in Bavaria. "The CDU will only discuss the future of the *Kohlepremier* if it is linked to a discussion about the future of the nuclear industry," a CDU official said.

The opposition Social Democrats, however, whose traditional power base rests in the coal regions, is in favour of an energy tax across industry. Mr Gerhard Schröder, prime minister of Lower Saxony, wants the tax to partly support coal, but also to use the revenue to finance ways to develop renewable energy. Industry is set to oppose any energy tax, a point Mr Kohl will make clear on January 27.

NEWS: EUROPE

Russia and US discuss status of ties

By Bruce Clark in Geneva

The US and Russia pledged yesterday to keep their relationship intact but both sides acknowledged that there were substantial differences between them over security issues.

Mr Andrei Kozyrev, the Russian foreign minister, described as "businesslike" - diplomatic code for blunt disagreement - his two days of talks in Geneva with Mr Warren Christopher, the US secretary of state, during which the US expressed strong concern over the bloodshed in Chechnya.

In a clear admission of disagreements, he said US-Russian relations were "maturing" to the point where "they can withstand open and business-like discussion of any issue".

Mr Christopher said he had reaffirmed Washington's willingness to provide economic aid to Russia, and he won an assurance from Mr Kozyrev that Moscow was still committed to democracy and economic reform. However, the US feared that the war in Chechnya was threatening reform and Russia's standing in the world.

Mr Kozyrev said he was sure the US-Russian partnership over a broad range of issues

would "stay and endure" despite the fact that it was "weathering a number of international problems".

The Russian minister said Chechnya was "very much an internal question" and any discussion of the issue was part of an exchange of information "on domestic problems" between himself and Mr Christopher.

This would imply that Mr Kozyrev questioned Mr Christopher about US domestic problems - a tactic often used by the Soviet Union when it faced western criticism over human rights issues.

Mr Kozyrev said there was optimism that "we are not going to have a cold peace". However, in a sterner note, he described as "timely" President Boris Yeltsin's warning at last month's European security summit that the continent could plunge into "cold peace" if NATO expands too fast.

Mr Christopher said he used the Geneva talks to emphasise that the US-Russian partnership still existed, although it would be difficult to maintain if Russia took any more "steps in an undemocratic direction".

This was an implicit warning that the new Republican-dominated US Congress would stall on the delivery of aid to Russia, or the ratification of disarmament treaties, if Russia's behaviour in Chechnya does not improve.



Russian foreign minister Andrei Kozyrev (left) in Geneva yesterday with US secretary of state Warren Christopher

However, Mr Christopher said he would call for ratification of the Start II disarmament treaty at Senate hearings next month. Mr Christopher described the US-Russian link as one "that is continuing to work and... is of great importance to the US".

The secretary of state has welcomed the renewed prominence in recent days of Mr Victor Chernomyrdin, the prime minister, who is seen as a relative moderate within the Moscow administration and has been at the forefront of moves to secure a ceasefire in Chechnya. Mr Christopher said he thought the prime minister - who appeared to be sidelined when the war in Chechnya was launched last month - was now acting with the full authority of President Yeltsin.

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Moscow suspicion grows

Kremlin factions are at odds over policy, writes Chrystia Freeland

During negotiations with the International Monetary Fund in Moscow this week, Russian officials are expected to warn their western interlocutors that massive western assistance is necessary if Russian reforms are to stay the course.

But even as Russian officials try to woo the IMF, some of their comrades, in various branches of the government, are seeking to drum up a wave of anti-western sentiment.

The most influential exponents of this tendency are within Russia's powerful and hardline security council. Officials within the security council, whose authority has been enhanced by the drawn-out war in Chechnya, have prepared a draft document proposing a "government strategy to ensure the economic aspects of national security".

One section of this draft document is devoted to a discussion of "foreign threats" to Russia's economic security. These include the export of raw materials, leaving domestic industry unable to operate, too much foreign control over Russian exports, over-dependence on imported goods, and, in an issue made topical by the central bank's futile efforts this week to stem the fall of the rouble, "ineffective state control over hard currency".

The security council's subtle warnings about the "foreign threat" to the Russian economy have been echoed by a more stridently anti-western chorus in other branches of the

government. Western consultants have been banned from the corridors of the Ministry of Privatisation. Western organisations, like the Soros Foundation and the US Peace Corps, here to offer technical advice and humanitarian assistance, have been accused of spying for the CIA. And, perhaps most disturbingly, in an internal

prominently in a report, allegedly leaked from Russia's increasingly powerful Federal Counter-Espionage Agency, published in a leading Russian newspaper last week. The head of the counter-intelligence agency, the leaner successor to the Soviet KGB, is one of the key figures in the security council. The report alleged that

have penetrated even the technological corridors of the Russian central bank. In an internal memo, widely circulated among Russian officials this month, Mr Andrei Kozlov, head of the bank's securities department, alleges that American investment banks are plotting to take control of Russia's financial system.

The memo is a nine-page argument against a proposed amendment to legislation on banking which would restrict the right of Russian banks to participate directly in the securities market. It alleges that the change in the law is being advocated by agents of American banks, who seek to hobble their only potential competitors in Russia's capital markets, Russian banks.

"In this manner," Mr Kozlov writes, referring to the proposed amendment, American brokers and American financial capital are "seeking to seize strategic control in the division of property and the process of foreign investment in Russia".

For some foreigners in Russia, warnings like these of western conspiracies to, alternately, seize control of Russian capital markets or to fatally weaken the Russian state, have been accompanied by more personal harassment.

Mr Michael McFaul, a consultant at the Carnegie Endowment for International Peace, a western think-tank with offices in Moscow, says that members of parliament have been warned not to speak to him.

Western assistance organisations have been accused of spying for the CIA. And, perhaps most disturbingly, there has been a warning of a US strategy to take control of the Russian financial system

memorandum, a senior technocrat in the central bank warned of the "thought-out strategy" of American banks to take control of Russia's financial system.

Western observers in Moscow point out that periodic outbursts of anti-western sentiment are nothing new in Russia, and are offset by Russia's openness to the west since the collapse of communism. But the most recent wave of xenophobia was sufficiently serious to prompt Mr George Soros, the Hungarian-born market player, to visit Moscow to try to hold back the tide.

Mr Soros's foundations, which are involved in a number of projects geared towards encouraging the growth of civil society in Russia, figured

western organisations with offices in Moscow, including the Soros Foundation, the Ford Foundation, the Carnegie Institute and the Peace Corps, are nests of US agents whose goal is to "thwart Russia as a state, which has the potential to compete with the world's only superpower".

Mr Soros said he was satisfied by assurances he had received from senior government officials, though not from the security forces, that his foundation continues to enjoy backing from the Russian government, which has co-financed some Soros projects.

"Clearly, there is a clique that has temporarily gotten the upper hand and made a mess of it," Mr Soros said.

This campaign appears to

West voices doubts on Kremlin's liberalisation of oil trade

By Chrystia Freeland in Moscow

Western businessmen yesterday said they were sceptical that Russia's decision to lift quotas on oil exports earlier this month would have any real effect.

The decision to liberalise oil exports is crucial because the International Monetary Fund, in Moscow for negotiations this week, had said Russia had no hope of receiving IMF money if it did not free oil exports.

But observers say that the formal decision to liberalise exports - controversial because it threatened to boost domestic prices - may be obstructed by the

print in the legislation. Specifically, they point to the fact that a government committee, rather than the open auction system some western economists have advocated, will determine exporters' access to pipelines. "It looks to me like a quota system under a different name," a western oil executive said. "The committee determining pipeline allocation will replace the committee which handed out quotas."

An official from a western financial institution agreed that, although, "the decree itself is a hopeful sign" there is a danger that "you could have the same flawed system come in through the back

door". The official predicted that the degree of transparency in the operation of the allocation committee will emerge as an important issue in current Russian negotiations with the IMF and would figure prominently in the ongoing power struggle within the Russian government.

"This was an issue over which blood was spilt and I don't think the people whose incomes are at stake will disappear," he said.

But while the government will be under pressure from the IMF to stiffen the oil export decree, other provisions of the law have already come under open fire from domestic lobbies. Mr Yagor Alekperov,

president of Lukoil and Russia's most powerful oil baron, called for the government to reduce the \$23 (\$9.2) per tonne export tariff applied according to the decree.

"No oil company has such cash. Exporting has become absolutely unprofitable," Mr Alekperov said, adding that the tariff should fall to \$20.5 per tonne.

Mr Alekperov and other senior oil trade officials said producers would feel the sharp end of the tariff measure, while pure trading companies living on commissions would not be directly affected.

He also objected to demands by the state customs committee for pre-payment

"Where will we get this money from?" he asked.

"We propose that customs tariffs should be levied after money is deposited in our account, but no more than 45 days from the moment of the oil being loaded."

Lukoil produced 43.6m tonnes of crude oil last year and exported 10m outside the former Soviet Union. This compares with total Russian output of 315m tonnes and exports of 89m tonnes.

But according to Mr Jonathan Hoffmann, a director of economics at CS First Boston in London, the Russian government's expected revenues in 1995 from oil export tariffs are already overly optimistic.

Caving in to pressure from the oil lobby would reduce those revenues further and put an additional strain on the government's already fragile 1995 draft budget.

Russia's often tense political relations with its neighbours pose an additional threat to oil exports. A pipeline from the Caspian Sea runs through embattled Chechnya.</

NEWS: ASIA-PACIFIC

Japan quake death toll climbs above 3,000

By William Dawkins in Tokyo

The death toll from the Kobe earthquake passed 3,000 last night, with more than 850 still unaccounted for under the rubble of the city.

Rescue efforts appeared dwarfed by the disaster, as fires continued to blaze in central Kobe and infrastructure remained crippled two days after Japan's worst earthquake for nearly 50 years. Attempts to

ship food and water to the nearly 200,000 homeless were hampered by traffic jams on the few usable roads from Kobe port, while rescue efforts

RELIEF WORK

made little headway because of a shortage of power shovels.

An estimated 2.3m people in Hyogo Prefecture, where the devastation is worst, are without adequate water supplies, the ministry

of health and welfare estimated. The government sent in troops, in an operation criticised by business leaders for arriving late, and ordered the immediate construction of 1,000 temporary homes. Prime Minister Tomiichi Murayama is to visit the stricken area today.

The government earmarked ¥100bn (US\$4m) for immediate aid and is considering an extra budget for further help, said Mr Kozo Igarashi, chief cabinet secretary. Official

earthquake aid could total ¥3,000bn, said officials of the Liberal Democratic party, dominant member of the ruling coalition. Cheap state loans are to be made available to companies hit by the disaster.

There are signs that the costs of repairing the damage will be far higher than last year's Los Angeles earthquake, where costs were calculated at \$20bn. The Tokyo office of JP Morgan, US investment bank,

puts the damage at between ¥4,500bn and ¥6,000bn, or up to 1.3 per cent of GDP. One private economist in Tokyo estimated the damage as high as ¥14,000bn.

The prospect of a further rise in borrowing by Japan's heavily indebted government caused a fall in bond prices on the first day after the quake, followed by a slight recovery yesterday. Business around Kobe remained at a near standstill, with thousands of compa-

nies starved of supplies and power and unable to make deliveries. An estimated 400,000 homes were without electricity, while 834,000 households were without gas.

The construction ministry yesterday launched a review of motorway construction standards. Ministry engineers said they were shocked the quake had toppled motorway flyovers, as these were built to withstand tremors as violent as the great 1923 Tokyo quake.

Impact on city likely to be long-term

By Michio Nakamoto in Tokyo

The devastation wrought by Tuesday's earthquake is likely to have a long-term impact on Kobe, the famous port city which suffered high casualties and much of the damage in Tuesday's quake.

Officials at Japan's transport ministry expressed concern yesterday that the destruction of the port facilities

KOBÉ

ties of Kobe could cause a serious impact on Japan's external trade.

Kobe is Japan's largest port, having handled 2.5m containers in 1993, or nearly 30 per cent of Japan's port cargo trade, according to the ministry.

The quake has made it impossible to use any of the 19 container berths at Kobe port. "It is unlikely the port facilities were built to resist an earthquake of the magnitude seen on Tuesday," a transport ministry official said. Cargo was being re-routed to Nagoya port, but congestion there is expected to disrupt shipments significantly, he added.

As rescue teams continued their efforts to save as many as possible of those still trapped in buildings or under rubble, the city of Kobe suffered further damage from aftershocks, weakened ground foundations and erosion along its waterfront where reclamation work has extended the city into Osaka Bay.

Three have died more than 100 hectares of the city. Most concrete structures tilted by the big quake have been toppled by aftershocks, and water seeping into reclaimed land has reduced the futuristic city of Kobe Port Island to a muddy pool.

Kobe had been trying to establish itself as a model for future urban centres in Japan. Situated between the Rokko Mountains to the north and the Seto Inland Sea to the south, the city is famous not only for its port, one of the largest in Japan, but for its scenic beauty. The view from Rokko of the city at night is known as the "one-million-dollar scene".

Long welcoming of foreign influence due to its historic and geographic closeness to Kobe is a cross-section of western-style architecture in Japan, much of which was built before the war.

In its recent history, the city has attempted to reduce its traditional dependence on heavy industries such as steel and shipbuilding, and establish its economic foundations on newer industries such as fashion, leisure and information technology.

To that end, and to raise its international profile as an urban centre, Kobe has been pumping money into new developments ranging from man-made islands to high-tech and sports parks.

The city was in the middle of a second development phase - Port Island - aimed at doubling the reclaimed land mass where an international conference centre, museums, residential areas and other facilities are located.

The commercial and residential development of Rokko Island, another man-made site, is also scheduled for completion in 1999.

It will take months, if not years, to rebuild the damaged parts of the city. Port facilities are likely to take at least six months to repair, according to shipping officials.

While it is no consolation for the large number of people who lost their homes, the tragedy provides Kobe with an opportunity to plan much needed improvements to the city, where many of the houses destroyed were old and cramped into narrow areas.

One urban planning specialist said that, when Kobe began reconstruction, it could use the chance to widen roads and improve urban living conditions. It has the forward-looking spirit needed to rise from the ashes.

Public sector set to bear the costs

Government and markets brace for quake's financial fallout, writes Gerard Baker

As the extent of the devastation from Tuesday's earthquake grew clearer yesterday, the government and private sector began to brace themselves for the financial implications of the tragedy.

The rebuilding of Japan's industrial heartland will require the diversion of substantial resources. Widespread uncertainty exists about its economic consequences.

The first estimates of the likely cost of reconstruction were highly tentative, since there has not been such a destructive earthquake in Japan in modern times. The

ECONOMY

only comparable recent event was the Los Angeles earthquake a year ago.

Estimates of the repair costs there are more than \$20bn (£12.5bn) and rising, but the cost of rebuilding Kobe is likely to be much greater, according to Mr Masaru Takagi, senior economist at Fuji Research Institute.

The Japanese quake was more intense, lasted longer and was in an area far more populous and asset-rich than the worst-hit areas of Los Angeles. With construction costs in Japan running at more than twice those in California, conservative estimates in financial markets yesterday put the repair bill at substantially over ¥4,000bn (£25bn).

The public sector will face most of the costs. Officials yesterday indicated that a special emergency budget is likely to be drawn up within the next few weeks to meet the burden. Damage to infrastructure is extensive.

In addition to the direct public sector responsibility for roads and water supplies, its



A Kobe couple remove belongings from their home, and right, the ruined offices of Mitsubishi Bank and Meiji Life Insurance

strategic national importance means the government is expected to pick up a substantial part of the cost of repairing and replacing capital in private hands: railways, power utilities and telecommunications. The authorities are expected to fill much of the gap left by the widespread absence of insurance cover for the local population.

Mr Dick Beason, chief econo-

mic adviser to the Japanese government, said: "Expect a significant splash in bond market".

mist at James Capel Pacific in Tokyo, estimated that the cost for the government will be at least 50 per cent of the total. That would put the public share of costs at a minimum of ¥2,000bn, a figure that has raised concern about the strain on financial markets.

"It will be a significant splash in the government bond market this year," said Mr Beason, "and that will make investors demand a higher return on their holdings of debt." Net new supply of bonds for 1995 is estimated at ¥20,000bn, so the earthquake could pump an extra 10 per cent of supply into the bond market. As a result, government bond prices fell sharply on Tuesday on fears of the difficulty of absorbing the extra supply, pushing the yield up by 7 basis points to 4.72 per cent.

But these fears may have been overdone. The extra spending will provide a substantial fiscal boost to the economy in the form of capital investment and, as such, will produce economic returns. As the markets digested the economic benefits from the extra spending, bond prices recovered some of their lost ground yesterday.

In the private sector, the main burden will be borne by the insurance companies. The Japanese non-life insurers are chronically weak, having over-invested in high-risk equities in the 1980s.

The quake has prompted renewed fears that they may be forced to liquidate further their holdings of securities to foot the bill. Insurance com-

pany share prices have fallen sharply since Tuesday as a result.

Early estimates of the insurers' liabilities suggest these fears may be misplaced. Because of the limited extent of seismic activity in the Kobe region, less than 4 per cent of householders had optional earthquake cover. Figures for commercial coverage are unavailable but are unlikely to

be greatly higher. Yesterday, the Marine and Fire Insurance Association said the value of earthquake insurance contracts in the area was ¥1,200bn.

But since not all homes were affected by the quake, the total liability is likely to be much lower. According to Mr Mark Faulkner, financial services analyst at SG Warburg, this figure should not seriously undermine insurers.

They have combined catastrophic loss reserves of ¥1,100bn with extra reserves for special fire and automobile insurance of more than

¥800bn. "Even if the final costs turn out to be higher, companies should be able to absorb the impact reasonably comfortably," he said.

But risks remain. The government is likely to persuade the insurance sector to shoulder more of the burden than their legal liabilities imply, and companies are unlikely to turn away pleas for help from thousands of uninsured victims.

A bigger problem will confront the insurance sector in the longer term. The vulnerability of Japan's capital base to the Kobe quake surprised many companies, which had based their estimates of their liabilities on over-optimistic assumptions about the resistance of buildings to earthquake damage.

That judgment will now need to be revised, and may weaken further insurers' balance sheets.

Japan probably has enough private and public sector liquidity to cope with the extra direct costs associated with the earthquake. But the real financial damage will be long-term. The tragedy in the Kansai area will force the country to improve its preparedness to deal with other quakes, some of which may be even more deadly and destructive.

By William Dawkins

Japan's leading industrial companies yesterday began to assess the damage from the Kobe earthquake. As reports poured into the anxious headquarters of steel, car and electronics producers, it became clear it will take at least a year to repair Japan's industrial heartland.

There are two costs: direct damage to manufacturing plant, and disruption to supplies and deliveries caused by smashed roads and railways.

At national level, the impact will be softened by the fact that Japan has plenty of surplus industrial capacity to compensate for closures in Kobe. Last year, industrial Japan was running on average at just over 70 per cent of capacity, the lowest level for 18 years.

So disturbance to a region, Kansai, which accounts for 12 per cent of national output, could even join Japanese industry into doing more about its structural problems, even if at a tragic cost.

Important industrial losses reported yesterday were:

■ The region's steelmakers, producers of 25 per cent of Japan's steel output, reported moderate damage to plant and equipment but serious disruption to their ability to deliver orders.

This, plus the steel demand for the rebuilding of Kobe, will help to ensure that the rise in world steel prices continues, Mr Stephen Wolfe, equity analyst at UBS Phillips & Drew in Tokyo, predicts.

Worst hit was Kobe Steel, a leading integrated producer, which believes its blast furnace in the port area will stay closed for about a month, but hopes to restart operations at other steelworks, in nearby Kakogawa, in two to three days.

Kawasaki Steel, Japan's third largest producer, kept its two finishing plants in the area closed for the second day running, because of power cuts. Sumitomo Metal restarted a blast furnace, while Nippon Steel, the world's largest steel company, planned to restart a steel sections plant in Osaka.

■ Electronics companies were also falling to restore production. Matsushita, the world's largest consumer electronics

producer, halted deliveries from a Kobe warehouse because its automatic racking system failed.

Power cuts also forced it to close an information equipment plant for 3D games machines and word processors.

Omron, the leading maker of process control systems, was forced to halt exports of components and other products because it could not transport them.

Hosiden, a producer of high quality liquid crystal displays,

INDUSTRY

and electronic components, closed its Kobe factory, starved of supplies and power. Anxious US customers bombarded their Japanese offices with inquiries.

Mitsubishi Electric, the machinery producer, said only 200 of its 3,800 employees made it to work, but that its five plants in the area were little damaged.

■ In the car industry, Daihatsu, an affiliate of Toyota, has closed two car assembly plants, with a combined capacity of 50,000 vehicles a month, because it cannot get parts.

Toyota, which will also suffer production interruptions, yesterday dispatched 300 engineers from its headquarters in Nagoya, north of Osaka, to help.

Mazda suspended production at two plants for the second day yesterday, but it plans to restart in the next few days. Until then, 12,000 workers are suspended from duty.

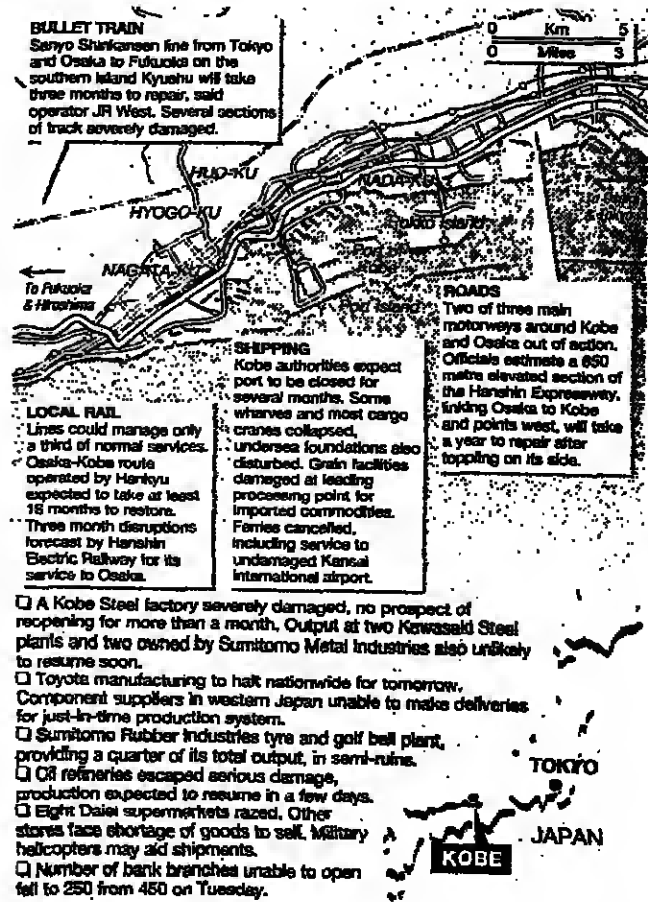
■ In shipbuilding, Mitsubishi Heavy Industries was unable to open its yard in Kobe because nobody could get to work through the morass of mud around the docks caused by the liquefaction of damp ground that occurs in big quakes.

■ A Sumitomo Rubber tyre and golf ball factory in Kobe, accounting for a quarter of the company's entire output, has closed indefinitely because of direct earthquake damage.

The quake also destroyed Sumitomo's 50-metre factory chimney, a well known landmark since before the second world war.

Its absence is a mark of how Kobe will never be the same again.

Additional reporting by Mitsuko Matsudani



ASIA-PACIFIC NEWS DIGEST

Bhutto to meet Clinton in April

Ms Benazir Bhutto, Pakistan's prime minister, will visit Washington in April for a summit with US president Bill Clinton, a senior government official in Islamabad said yesterday. It would be the first such meeting since she saw President George Bush in mid-1988.

The US cut off aid to Pakistan the following year over allegations that Islamabad was producing nuclear weapons. Pakistan denies the charge. However, during the past six months, the two sides have sought to strengthen ties in spite of the continued aid suspension.

Mr William Perry, the US defence secretary, this month visited Pakistan, describing it as important in the region and a moderate Islamic country. The two countries revived a consultative group comprising senior defence officials. Farhan Bokhari, Islamabad

Japan is top ship exporter

Japan regained its ranking as the world's top ship exporter last year, reversing its second place to South Korea in 1993, according to figures published yesterday by the Japan Ship Exporters' Association. Export contracts for Japanese companies rose 64.1 per cent to 9,592,000 gross tons, representing 249 vessels. The figure was the highest since the shipping boom year of 1973, when Japan exported more than 573 vessels at 25,779,000 tons.

Association officials attributed the performance to efforts to secure orders ahead of the completion of projects by their South Korean rivals, and to increased automation which improved productivity. But exports are expected to fall this year as a result of price competition. Gerard Baker, Tokyo

South Korea bans toothpicks

Toothpicks are to be banned from South Korean restaurants to make leftovers fit for pigs. The environment ministry says farmers have complained that discarded toothpicks often kill pigs and other animals fed with the leftovers. Violators of the ban, which takes effect on February 1, face fines of up to Won3m (£2,400).

Other regulations taking effect at the same time will prohibit the use of plastic bags and wrappings in supermarkets and grocery stores except for such items as meat, poultry and vegetables. The rules call on manufacturers to reduce the amount of packaging material generally as part of a drive to reduce garbage and encourage recycling. Reuters, Seoul

■ The European Commission signed an \$83m aid agreement with Cambodia as part of a 30-month rehabilitation programme centred on rural development. Reuters, Phnom Penh

■ Leading Malaysian banks raised base lending rates by 10 basis points. For Bank Bumiputera, the increase to 6.75 per cent followed 13 successive cuts over two years. Reuters, Kuala Lumpur

Road chaos hampers recovery by industry

By William Dawkins

The collapse of the tight mesh of infrastructure between Kobe and Osaka was the big factor hampering rescue efforts yesterday.

It will be the main constraint on the recovery of local industry. The few plants able to work yesterday were starved of supplies and are unlikely to be able to deliver for days or weeks, because of almost impassable roads and restricted rail services.

INFRASTRUCTURE

Only one of the three main motorways around Kobe and neighbouring Osaka, Route 2, was usable yesterday. Of the other two, officials estimated it will take a year to repair a 650m section of the Hanshin Expressway, the main road from the port of Kobe into Osaka. Sections of the third motorway, Route 43, also col-

lapsed. Motorway closures in Japan are more serious than in other countries because alternative routes are usually slow. It is hard to drive a large delivery truck through the maze of lanes that make up most of Kobe and Osaka, even when they are not strewn with rubble.

Distressed Japan Public Highway officials admitted shock at the destruction of motorways designed to be earthquake proof. It was a first taste of the re-examination, and the possible criticism, that could come later.

Only a year ago, a team of Japanese researchers returned from inspecting collapsed motorways after the Los Angeles quake to report that Japan's ostensibly better built roads would never suffer such damage.

Trains have fared little better. The Shinkansen express going south towards Kyushu will be out of action until March or later, officials said,

while services north to Tokyo were running at half their normal frequency.

Local lines could only manage a third of normal schedules.

Highway closures are more serious than elsewhere

Power is another problem, with 400,000 families and thousands of businesses in Kobe deprived of electricity yesterday and 834,000 households without gas.

Officials said it would take two weeks to restore electricity and one-and-a-half months to bring gas supplies back to normal.

Telecommunications were down in the area between Osaka and Kobe, at the centre of the damage. Outgoing calls were possible from Osaka, but incoming ones were difficult.

China inflation slows for second successive month

By Tony Walker in Beijing

China's inflation for December slowed for the second successive month, reversing a trend that had pushed annual consumer price rises in late 1994 close to 30 per cent.

The State Statistical Bureau reported yesterday that December's consumer price index was up 2.5 per cent on a year earlier, and down two percentage points on the previous

month. Western economists said the figure represented better news for the government, but it was premature to judge whether a clear trend towards lower inflation had been established.

"The real test will come in the spring when comparisons are made with lower inflation figures of mid-1994," said one economist. China's inflation eased in the second quarter last year before rising sharply in the second half. China has said it plans

to cut inflation to 15 per cent this year from 24.2 per cent in 1994, but economists believe a more realistic figure is 17-20 per cent. Figures for December showed rural consumer prices rose faster than in urban centres.

The improved inflation result brightens prospects of China achieving a "soft landing" in its efforts to curb an overheating economy, but economists say this will depend on

continued monetary restraint.

China's economy grew 11.8 per cent last year, compared with more than 13 per cent in the previous two years. The government wants further to reduce economic growth to 9-10 per cent this year, but is anxious to avoid an abrupt slowdown that would exacerbate unemployment.

Central bank figures released this week showed that despite high rates of inflation, savings continue to be

robust. Since 1978, the average annual increase has been 32.5 per cent, with individual deposits reaching ¥2,132bn (\$164bn) last year. Retail sales in 1994 grew strongly, reaching ¥1,413bn in the 11 months to November, representing a 30.5 per cent increase over the same period the previous year. Economists warned that, while inflation will fall in 1995, price pressures will stay strong.

Clinton acts to shore up Mexico package

Markets are nervous \$40bn in US loan guarantees may be delayed

By George Graham
in Washington and Ted
Bardacke in Mexico City

President Bill Clinton yesterday moved to shore up crumbling support for the \$40bn (\$25.6bn) package of loan guarantees he announced last week to help Mexico out of its financial crisis. Worries that congressional approval of the package could be delayed depressed the Mexican stock market and the peso.

Mr Clinton sent Vice-President Al Gore and Mr Leon Panetta, White House chief of staff, to Capitol Hill yesterday morning to try to persuade Democratic members of Congress that the guarantees were needed urgently to prevent Mexico from falling into a protracted economic crisis that would hurt the US.

The president himself was due to speak to business leaders at the Treasury department later in the afternoon.

The leaders of both parties gave their support in principle to the loan guarantees at a White House meeting last

week, and Speaker Newt Gingrich remains committed to bringing the necessary legislation quickly to the floor of the House of Representatives.

But Senator Robert Dole, the leader of the Republican majority in the Senate, appeared anxious yesterday to cover his rear against the possibility that the Republicans might be left shouldering the political risk of the guarantees without significant Democratic support.

Right-wing Republicans and left-wing Democrats, recreating the unlikely coalition that opposed passage in 1993 of the North American Free Trade Agreement between the US, Canada and Mexico, have criticised the loan guarantees. Between these two extremes, many other members of Congress have seen an opportunity to impose a variety of conditions on Mexico in exchange for the guarantees.

Administration and congressional officials yesterday said they believed that the loan guarantee legislation would pass, but that it would require an all-out lobbying effort from

Mr Clinton and the Republican leaders to win over rank and file members in their respective parties.

A Treasury fact sheet circulated on Capitol Hill to bolster the case for the loan guarantees remains silent on the details of the legislation to implement the package, but warns that "a protracted economic crisis in Mexico would decrease US exports, increase illegal immigration to the US and, potentially, spread to other emerging markets".

A continued crisis could bring half a million more illegal immigrants into the US this year, with perhaps 330,000 coming to California and 100,000 to Texas, it warns.

In Mexico, a successful auction of government securities and the formal announcement of a national political accord between the government and the country's main political parties did little to help Mexican markets.

Interest rates on 28 and 90 day Cetes, peso-denominated government debt, came down this week to 39 per cent, while

6 and 12 month paper rose 5 percentage points to 38.5 per cent. Demand was high, with 6.3bn new pesos being solicited and 2.8bn new pesos being accepted, more than the amount scheduled to mature this week.

Brokers said that the high demand was a sign that investors were coming back into the market, albeit at high rates.

But the high rates offered and anxieties about the financial support package sent the stock market lower. At midday the main IPC index of the Mexican stock market was down 1.64 per cent. Mexican equities trading in New York were also down.

At midday the peso was trading at 5.295 to the dollar, slightly weaker than Tuesday's close of 5.25.

Persistent rumors that the government bought its own dollar-denominated government securities in Tuesday's auction in order to create the appearance of investor confidence continued to worry potential investors.



Zedillo signs reform pact to end election row

Picture: Reuters

Cosseted congressmen in Brazil double their pay

By Angus Foster in São Paulo

Brazil's congress has voted itself a pay rise of more than 100 per cent, while President Fernando Henrique Cardoso urges austerity and the country's planning minister looks for \$12bn (\$7.5bn) of cuts to balance this year's budget.

The Chamber of Deputies has approved an increase which will take the basic salary for Brazil's 513 deputies and 81 senators to R120,000 (\$141,177) once the new Congress convenes on February 1. This is nearly 50 times the average Brazilian income of R2,500 and will reinforce the country's reputation for the world's most glaring differences between rich and poor.

Congress members already have their medical, postage and most telephone bills paid by the state, and get a rent allowance for living in the cap-

ital, Brasília. They also get three free flights home a month, and one free flight to the former capital, Rio de Janeiro. They can retire when they reach 50.

Opinion polls already rank congress members among the least respected and trusted people in Brazil. The latest increase, fiercely attacked in the media, is especially embarrassing because the outgoing Congress faces two other sensitive votes this week.

A proposal to increase the national minimum wage, on which about 20 per cent of families rely as their only source of income, is not certain to pass because of government opposition. The annual minimum is R910, but some legislators want to increase this to R1,100. The government opposes the increase because it would add to budget problems. The second vote is on an

amnesty for Senate president Humberto Lucena. Election authorities, backed by the Supreme Court, have ruled that he should lose his seat for illegal use of the Senate printing press during his election campaign in October. Mr Lucena has refused to leave and is now seeking an amnesty to invalidate his expulsion.

Mr Cardoso has tried so far to distance himself from both controversies but critics say he has been compromised by both. His own salary and those of his ministers were also more than doubled by Congress, despite the government's pledge to keep spending increases under control.

Critics say Mr Cardoso's majority coalition is weak and that he will be forced to compromise or keep quiet on other measures, in order to pass a number of important constitutional reforms.

Appeals court removes judge from IBM case

By George Graham
in Washington

The judge who has overseen IBM's courtroom anti-trust battle for the last 40 years has been removed from the case by a federal appeals court which questioned his impartiality.

Judge David Edelstein had just started his judicial career when, in 1955, he signed the consent decree, negotiated between IBM and President Dwight Eisenhower's Justice Department, which broke up IBM's dominance over the US computer industry.

Although he will turn 85 next month, Judge Edelstein has continued to oversee the application of the decree ever since, repeatedly rejecting IBM's requests that he remove himself from the case.

The appeal court described

Judge Edelstein, who is believed to be the last remaining federal judge appointed by President Harry Truman, as one of the ablest and most experienced judges in the region.

Nevertheless, Chief Judge Jon Newman wrote, in an opinion supported unanimously by the appeals court, "we think it manifestly clear that a reasonable observer would question the judge's impartiality on the pending issue."

The removal of Judge Edelstein could have rapid consequences because IBM asked him last year for the removal of the 1956 consent decree, which required it to stop offering its computers for lease only, rather than outright sale, and required IBM to operate its service business separately from its manufacturing business.

IBM has argued that the decree, which was imposed when computers still used vacuum tubes and the company's dominance of the US data-processing market was clear, is no longer relevant at a time when it ranks far behind companies such as Compaq in sectors such as personal computers.

The removal of a judge from a case is very unusual in the US, where the same judge can continue to supervise an entire industry for decades.

Judge Harold Greene, for example, continues to preside over the telecommunications industry, which he revolutionised with his order 10 years ago to break up the old AT&T monopoly into an AT&T long-distance company and a number of regional "Baby Bells" restricted to local telephone services.

AMERICAN NEWS DIGEST

Growth nudging up US prices

Robust economic growth and tight labour markets are putting upward pressure on prices and wages, the Federal Reserve reported yesterday in its latest Beige Book survey of regional economic trends.

In a separate interview with Reuters, Fed vice-chairman Alan Blinder said there was no clear evidence yet of a slowdown in growth. Gross domestic product probably grew at an annual rate of about 5 per cent in the fourth quarter, he said.

The survey and Mr Blinder's comments increase the probability that the Fed will signal another increase in short-term interest rates at its monetary policy meeting, due on January 31 and February 1.

The survey says the economic expansion remained "vibrant" in most of the US during the six weeks to January 10, and it found little evidence of the sharp slowdown in growth of retail spending reported last week by the Commerce Department.

There was evidence of tighter labour markets, with reports of "somewhat higher wages" in most areas. Michael Prouse, Washington

Strike at General Motors

General Motors was hit by a strike at one of its biggest North American parts plants yesterday - a continuation of the poor labour relations which have dogged it in recent months.

The strike was called by the United Auto Workers union after a dispute over staff levels at the plant in Flint, Michigan. The halt in production of spark plugs, petrol and oil filters, and cruise controls, could bring some GM assembly plants to a standstill by today, union officials said.

The UAW claimed that GM had failed to hire 240 extra workers at the 6,800-worker plant, under an agreement reached nearly a year ago. GM, like Ford and Chrysler, has generally resisted adding new workers during the current upturn in the industry, fearing that it will be left with higher overheads when sales turn down. Richard Waters, New York

Banks can sell annuities

The US Supreme Court yesterday opened another breach in the wall keeping banks out of the US insurance business when it ruled that banks could sell annuities.

The opinion reversed a lower court ruling that annuities were an insurance product from which most nationally chartered banks were excluded. Justice Ruth Bader Ginsburg, in an opinion supported by the other eight Supreme Court justices, said the court found it reasonable to conclude "that brokerage of annuities is an 'incidental power necessary to carry on the business of banking', and that annuities were not insurance within the meaning of the law."

Nationally chartered banks have already been permitted to sell insurance from towns with fewer than 5,000 inhabitants, and the Supreme Court decision yesterday will expand this to larger municipalities, at least for annuities. George Graham, Washington

Higuchi on hunger strike

Ms Susana Higuchi, estranged wife of President Alberto Fujimori of Peru, was camped outside the Lima headquarters of the national electoral board yesterday, on the second day of what she says will be an indefinite hunger strike.

Late on Monday, the board said it had disqualified Ms Higuchi's alliance from the general election on April 9. Several of the 120 names of congressional candidates on Ms Higuchi's list were ruled to be duplicated. She blames "typing errors". Sally Boveen, Lima

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Conservative rebels snub premier with attack on EU

Eight rebel Conservative MPs plan to launch a headline attack on the European Union today in a calculated snub to Mr John Major, the prime minister, Kevin Brown writes from Westminster. The 1,000-word policy paper, which amounts to a Euro-sceptic manifesto, is a serious blow to Mr Major's hopes of an early rapprochement with the rebels. The policy

paper - dubbed a "mission statement" by one rebel MP - advocates a tougher approach to the EU in the run-up to the intergovernmental conference in 1996, including greater use of the UK veto and rejection of monetary union. It stops short of advocating UK withdrawal from the Union, but demands renegotiation of the common fisheries policy in order to restore British sovereignty over coastal waters. Rebel MPs denied that the decision

to publish the paper was intended as a signal of defiance from the group, most of whom were suspended from the parliamentary Conservative party after defying the government in a vote on EU finance in November. Sir Teddy Taylor, MP for Southend East, said the paper provided a basis for Tory unity on Europe. "There are real problems that cannot be avoided," he said. "We are presenting ideas about the way they can be solved."

Mr Major held out an olive branch to the group earlier this week, suggesting that they could return to the parliamentary party within weeks if they demonstrated loyalty to the government. As part of its commitment to the EU's Common Fisheries Policy the UK government must cut fishing capacity by 19 per cent by next year, Deborah Hargreaves writes. It estimates that capacity has been cut by only 4.8 per cent so far. The government had aimed to meet its obligations with a two-pronged approach to include decom-

missioning and a move to restrict the number of days fishermen could spend at sea. A legal challenge by fishermen forced the government to abandon its days-at-sea policy early last year. The government says 135 boats left the industry in the first year of the scheme (1993-1994) from a total fleet of more than 11,000. The government is looking at other ways of reducing fishing effort, such as technical conservation measures and cutting the number of fishing licences available.

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Top Tory calls for MPs' code of conduct

By James Birt

A prominent Conservative politician yesterday called on parliament to draft a code of conduct governing the relationship between MPs and commercial lobbying agencies following recent controversy over the role played by lobbyists in British politics.

Dame Angela Rumbold, a vice-chairman of the Conservative party, told the Nelson committee, which is investigating standards of conduct in public life, that it was acceptable for an MP to be employed by a lobbying agency in a consultative role, offering advice on strategy and presentation.

But Dame Angela - who recently resigned as director of a prominent lobby company - said MPs should be forbidden from approaching ministers and fellow parliamentarians on behalf of a lobby agency.

Asked by the committee - holding its second day of hearings in London - whether parliament could establish a code of practice to that effect, Dame Angela said: "I think it would be perfectly possible to do that."

The activity of lobby companies at Westminster is being investigated by Lord Nolan and his colleagues following allegations about their involvement in "cash-for-questions" scandals last year. One of the lobby groups involved has fiercely denied the allegations.

Yesterday, Dame Angela defended her role as a director of Decision Makers, a company that successfully lobbied for Ebbfleet in Kent as the site of a new international station for the Channel tunnel rail link.

In her evidence to the committee, she revealed that she had been paid between £3,000 and £12,000 a year by Decision Makers to offer general strategic advice to parliamentary advisers to Mrs Maureen Tomlinson, chairman of the company.

She stressed it had been part of her "personal code" never to "advocate" on behalf of any client at Westminster, claiming that this was "something I would not have cared to have done".

She also said she did not help any of Decision Makers' clients to identify or meet ministers who might help their business projects - but admitted that other MPs might not have adopted the same policy.

UK NEWS DIGEST

Airline in talks on cross-Channel rail agreement

British Midland, the London-based airline, is in preliminary discussions with Eurostar, the cross-Channel rail operator, about the possibility of making tickets transferable between their two services. British Midland said yesterday it was interested in an agreement with Eurostar which would allow its customers to fly from London to Paris or Brussels and then use their return air ticket to make the journey back by rail. Eurostar confirmed early discussions had taken place but said these had not gone into the detail of how ticket transfer might take place.

Eurostar said it was talking to several airlines about arrangements under which they would carry each other's passengers if either of the services suffered operating difficulties. British Airways confirmed it was discussing such an arrangement with Eurostar. Eurostar said, however, that British Midland's proposals appeared to go further.

Michael Skapinker, Aerospace Correspondent

BA may appeal over Virgin

British Airways said yesterday that it is likely to seek leave to appeal against a decision by a US court that Virgin Atlantic can proceed with an action against BA over the "dirty tricks" affair.

Judge Miriam Goldman Cedarbaum ruled earlier this month that Virgin could proceed with a \$1bn anti-trust lawsuit against BA in the US courts. The judge allowed three of Virgin's eight claims to stand, dismissing the remaining five. BA said it intended to ask the judge for leave to appeal against her ruling. Virgin, which has rejected the possibility of an out of court settlement, criticised BA's move. Michael Skapinker

Software group in £40m deal

Computervision, the US software group, and Warwick Manufacturing Group - part of Warwick University in the English Midlands - have signed a £40m contract to develop and sell enhanced technology to manufacturing companies. Warwick said the agreement was the biggest reached by a British university and an industrial company.

The US group, which has a subsidiary in Coventry, will provide software which Warwick Manufacturing will adapt and apply to the manufacturing process of particular companies. Warwick Manufacturing will also provide training for employees of companies buying Computervision software.

Warwick Manufacturing will receive £40m over four years split three ways in roughly equal proportions: training, project management on a company-by-company basis and long-term development of Computervision's software. Paul Cheeswright, Midlands Correspondent

Rover increases European sales

Rover Group, the leading UK carmaker, increased its sales of Rover and Land Rover vehicles in continental Europe by 16 per cent last year to 160,387 and achieved record sales in France, Italy and Spain. The group, a subsidiary of BMW of Germany, increased its sales in France, its second largest market after the UK, by 13.4 per cent to 32,122.

Its sales in Italy rose by 28 per cent to 34,234 in a market that declined overall by 2.7 per cent, while sales in Spain increased by 25 per cent to 27,424. Rover remains very weak in Germany, but it is investing heavily to improve its sales and distribution network, and sales in Germany rose by 5.8 per cent to 11,465 in an overall market that was virtually unchanged. Kevin Dine, Motor Industry Correspondent

LABOUR FORCE SHRINKS In spite of rapidly falling unemployment the Department of Employment's latest Labour Force Survey shows a decline in the size of the British labour force. The survey, covering September to November, found that the number of people in work or seeking a job fell 51,000 to 27.7m in the 12 months to last autumn. The Trades Union Congress estimated its affiliated membership fell last year by 6 per cent, from 7.2m to 6.8m, against a postwar peak of 12m in 1979.

MORE WOMEN ACCOUNTANTS More women are entering the accountancy profession but few make it to senior positions, according to a survey published yesterday by Britain's Chartered Institute of Management Accountants.

The survey, based on a sample of 400 organisations, concludes that 36 per cent of students in the six professional bodies are women, and that "any barriers to women entering the profession have been largely overcome".

Battle-scarred district fights for business

A history of savage violence in west Belfast is not deterring US and Asian investors, says John Murray Brown

Attracting investment to Northern Ireland is tough, but luring it to west Belfast is much tougher. When BCO, a small US-owned electronics factory in the largely Irish nationalist Andersonstown area tried to win a long-term contract from National Semiconductor, the US computer giant insisted that it would also have to establish a plant in the US. It could not rely on just one supplier in a location riven by political violence.

BCO's future was secured only by the intervention of two politicians who are normally opponents. Dr Joe Hendron, the Social Democratic and Labour party MP, and Mr Cecil Walker, a unionist councillor who supports a continuing constitutional link with Britain, flew to California to persuade National Semiconductor of the area's merits.

Investors already have to weigh up incentives, infrastructure, market access and labour conditions as well as political stability. As BCO's experience shows, they also have to be convinced that west Belfast is a place they can do business from.

One attraction for BCO was the generous grants offered by the Industrial Development Board, the government agency handling investment policy, which can provide up to 70 per cent of start-up costs.

Critics complain that the board's policy discriminates in favour of Protestant areas such as east Belfast. But as one government official put it, many potential investors are simply scared off by the graffiti on the walls and - until last weekend - the sight of soldiers on the streets.

West Belfast has had an

unhappy investment history. It was here, on the site now occupied by Montpet, a French car parts maker, that the ill-fated De Lorean sports car plant was established with government grants in 1978.

It is a common complaint that government grant policy has been too risk-oriented. But as Mr Paul Goreski of the Northern Ireland Economic Council expressed it: "If it's low risk then the private sector should do it."

West Belfast was once the centre of a thriving textile industry. Machine's the Falls Road textile engineering company which recently came to the market, was the second biggest private company in the UK, employing 7,000 people. Courtaulds, Imperial Chemical Industries and Goodyear had plants in west Belfast.

Today the area has a population alienated from the government, and it has pockets of unemployment unmatched anywhere in the UK. In some areas as much as 30 per cent of the potential workforce is out of work, of whom 70 per cent are long-term unemployed.

Yet investors are likely to be attracted by the big pool of educated labour. When BCO came to recruit it had no trouble finding six graduates with first class degrees. The company, which has linked with the research department at Belfast's Queen's University, is still at the laboratory stage.

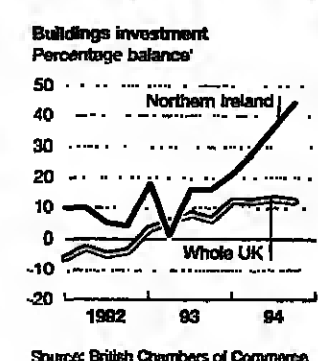
But with orders coming in Mr Scott Blackstone, one of the three founders, believes it could soon be employing several hundred.

The government has a dual policy for areas such as west Belfast, focusing on social need and trying to attract private capital. Sir Patrick Mayhew,

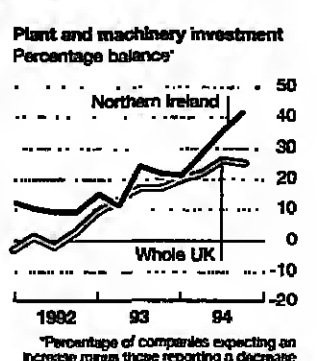


Springfield Road in west Belfast passes through Protestant and Roman Catholic areas of the city

Optimism about investment grows



Source: British Chambers of Commerce



*Percentage of companies reporting an increase minus those reporting a decrease

Northern Ireland is enjoying a peace dividend with business confidence sharply higher and unemployment at its lowest level for nearly 13 years, our Economics Editor writes. The chambers described employment prospects in Northern Ireland's manufacturing sector as "extremely bright".

Their latest quarterly survey, conducted in December, found that on balance companies in Northern Ireland had revised their investment plans upwards more than in any other part of the UK.

Yesterday's official labour market statistics showed that unemployment in Ulster fell by a seasonally adjusted 1,500 in December to 92,300 and was almost 8,000 lower than in December 1993.

Although the region's unemployment rate of 12.4 per cent was the highest in the UK, Baroness Denton, the Northern Ireland economy minister, said its unemployment was "now at its lowest level since February 1982".

The survey found, however, that the region's employers are suffering the worst skill shortages in the UK, with 98 per cent of manufacturers indicating difficulties in securing staff.

Investment in production lines, CIS Technologies of Taiwan, a computer disk manufacturer, is close to finalising agreement on an investment in the Polegall area.

Even Sinn Féin, the political wing of the Irish Republican Army, is starting to develop an economic programme, concerned not to be left out as investment interest in the province revives in Asia and north America.

A local industrialist said: "They [Sinn Féin] see that the government channels funds through the Social Democratic and Labour party and that Joe Hendron is the favoured son."

Company may face boycott Cost of retail crime up 27%

By Andrew Taylor

A campaign to persuade subcontractors to boycott the Alfred McAlpine construction group over a payments dispute has been registered with the Office of Fair Trading under the Restrictive Practices Act.

The Confederation of Construction Specialists has recommended that "subcontractors and suppliers should consider declining to enter into any future or proposed contract with any Alfred McAlpine group company unless they receive clear written specific assurances regarding the group's policies and practices in respect of payment". The trade association

has been in dispute with McAlpine over payment problems alleged to have been suffered by sub-contractors working on a Center Parcs development in western England where McAlpine was the main contractor.

The association has recommended that customers of Alfred McAlpine "should seek unequivocal clarification of the group's contractual and payment policies and practices towards subcontractors and suppliers". It said it was required by law to register its recommendations with the OFT. The OFT said yesterday the recommendations had been registered with the Restrictive Practices Court and it did not

propose any further action at this point.

McAlpine denies the allegations and has reserved the right to take legal action if they are repeated. Mr Garry Forster, company secretary, said: "Allegations that McAlpine has used commercial muscle to abuse subcontractors and declined to pay proper debts are utterly rejected." The Center Parcs leisure development is expected to result in claims for extra payments by subcontractors and McAlpine.

The dispute has arisen when government and the construction industry are studying proposals in an independent review to improve the industry's trading relationships.

By Alice Rawsthorn

UK retailers faced a bill of £2.7bn (\$4.2bn) for crime and crime prevention last year, an increase of 27 per cent - £550m - over the previous year, according to the British Retail Consortium, the industry body. The consortium's report covers the past financial year and 53,000 stores, which account for almost half the UK's £67bn retail sales.

It found that retailers lost a total of £2.1bn during the year through crimes such as shop theft and burglary.

Retailers stepped up investment in crime prevention measures including hiring security staff and

installing closed-circuit television systems. Spending on crime prevention rose to £551m during the year from £419m in the previous year.

This increased investment reduced the occurrence of some forms of retail crime, notably criminal damage and attacks on staff. The consortium also detected a fall in the cost of burglary and robbery.

In spite of this investment there was still a significant increase in the incidence and cost of retail crime last year.

This is partly attributable to more efficient crime detection and reporting by retailers. The costliest types of retail crime were theft by customers

and staff. Retailers claimed to have witnessed 4.8m incidents of customer theft last year, a 26 per cent increase on the previous year.

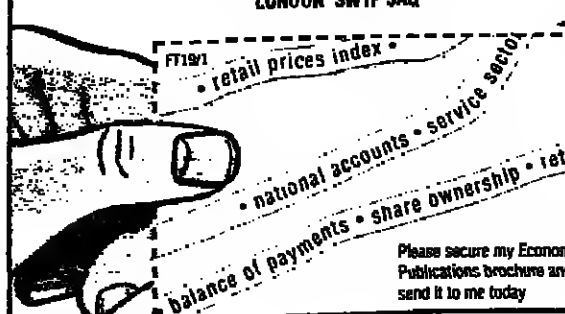
The Retail Consortium warned that shoplifters were becoming more professional, often operating in organised gangs. However only 807,357 customers were actually apprehended for suspected theft, of whom 548,323 were referred to the police. Only 17,344 of the 37,468 employees apprehended for suspected theft were reported to the police.

There were 161,139 burglaries in the retail sector last year - 53 incidents for every 100 outlets.

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By Peter Norman, Economics Editor

Exports continue to lead Britain's economic upswing while growth in the domestic market appears to be levelling off, the British Chambers of Commerce report today.

The chambers' latest quarterly survey of business opinion found a significant improvement in UK export activity, with orders growing at their fastest rate since the survey began in 1985.

At home, manufacturers' sales and orders rose gently. The balance of manufacturers reporting higher sales in the UK market over those reporting a decline rose to a six-year high of plus 36 per cent in December from 35 per cent three months previously.

The chambers expect sales growth to continue in the current quarter following a rise in the balance of home orders from plus 33 per cent in September to December's plus 36 per cent, the highest figure since 1987. Activity in the service sector appears to have reached a peak, however.

The survey of 8,067 companies was carried out between December 2 and December 23. It is the biggest survey of UK

business opinion. Mr Richard Brown, the chambers' deputy director-general, said: "The immediate outlook for the UK economy is positive with growth of exports almost certain to continue."

AVERAGE EARNINGS STABLE: The annual growth rate of workers' average earnings is remaining stable in spite of evidence of a rise in pay settlements, the Department of Employment said yesterday.

Average earnings grew by an underlying 3.75 per cent in the year to November, the same rate as in each of the preceding

five months. The department backed on its original estimate that earnings growth had accelerated to 4 per cent in the year to October because bonus payments were lower than expected.

Mr Michael Portillo, secretary of state for employment, said earnings growth might have remained stable as settlements picked up because bonuses were being consolidated into basic pay.

The Confederation of British Industry believes pay settlements in manufacturing have increased to about 3.4 per cent in the three months to November from 2.3 per cent a year earlier.

RETAIL PRICES EDGE UPWARDS: One of the first hints that retailers may be trying to edge prices upwards after months of discounting emerged yesterday, after official figures showed that inflation had risen in December. A significant part of the price rises was concentrated in food and household and personal goods.

The Central Statistical Office said yesterday that the all-items retail price index rose to 146 in December - 0.5 per cent higher than in November and 2.9 per cent higher than in the previous December.

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TECHNOLOGY

Worth Watching · Vanessa Houlder



Plastics breakthrough

British Petroleum reports a breakthrough in the production of polyethylene, the world's most commonly used plastic, reports Robert Corzine.

BP says its research institutes in France and the UK have developed a new "high productivity gas phase" technology that has been demonstrated in commercial conditions and that can be retrofitted to existing gas phase polyethylene reactors.

The new process allows for a 100 per cent increase in output from a single polyethylene reactor, or a 50 per cent decrease in investment costs.

BP says the key to the new process is its ability to remove heat efficiently from the reactors. The problem of heat removal is one of the main factors limiting the output of the current generation of polyethylene reactors.

BP Chemicals: UK, fax 0171 496 4006.

Computers take to networking

Toshiba Corporation, the Japanese computer group, has devised a method of increasing the flexibility of computers which are linked in networks.

The Wireless Desk Area Network allows portable computers to form wireless communication networks free of fixed facilities, such as a system server. The equipment consists of dedicated communications software, together with either a wireless LAN card or an infra-red transceiver.

It automatically identifies terminals with which it can communicate, up to a distance of 100m. Users can select the terminals to which data are transferred.

Toshiba believes the technology

will allow "paperless" meetings, in which information can be distributed via the network, rather than on paper.

Toshiba: Japan, tel 033457 2105; fax 033456 4776.

Shadow over ulcer drugs' future

The prospects for ulcer drugs took another blow this week with the publication in the *New England Journal of Medicine* of further evidence that antibiotics are as effective in the treatment of ulcers, writes Daniel Green.

This emerged in a study of 85 patients which showed there was no significant difference between those who were given antibiotics and those who took Losec, an advanced ulcer drug made by Sweden's Astra. The antibiotics kill bacteria called *H Pylori*, which infect about 70 per cent of patients with gastric ulcers.

Although the principle has been supported by the work, it does not yet spell the end of some of the world's biggest-selling drugs.

Medical authorities fear that wider use of such powerful antibiotics will lead to resistant strains of more dangerous bacteria. And the research excluded patients whose ulcers had arisen from their use of non-steroidal anti-inflammatory drugs, used in arthritis and an important cause of ulcers.

Joseph Sung, Prince of Wales Hospital, Shatin, Hong Kong. Tel: 26 36 23 11.

£5m research fund for UK opportunities

The Centre for Exploitation of Science and Technology, an independent organisation that promotes links between industry, government and academia, has set up a fund for research into market and technology opportunities for UK business.

The research fund, which is expected to pay for about £5m of research over the next five years, will be based on subscriptions and donations from Cest members, comprising 35 companies in the public and private sector.

Its first project is to identify the commercial opportunities in the National Technology Foresight project and to show companies how they can apply Foresight's findings to their own strategies. Cest: UK, tel 0171 351 9942; fax 0171 354 4302.

Alice Stewart's work has changed US clinical practice. So why has she been shunned in her native Britain? Clive Cookson explains

Unsung heroine

Alice Stewart is one of the unsung heroines of British medical research. She has helped to alert the world to the dangers of low-level radiation, yet she remains unrecognised by the UK scientific establishment.

At the age of 88 she still works full time as a senior research fellow at Birmingham University, occupying a prime office suite in the medical school's main building. But her accommodation is less a tribute to her status than to the American funds she brings in.

Stewart moved to Birmingham after "retiring" from Oxford University 20 years ago. Her 70s, a lean period for research funding, were spent working from a Portakabin outside the medical school. During her 80s she has won \$2m (£1.2m) worth of grants from the Three Mile Island Public Health Fund - hence the upgraded office space.

"I admire her courage, honesty and persistence," says Eva Albermann, former professor of epidemiology at the London Hospital and now consultant to the UK Office of Population, Censuses and Surveys. "She has made some fundamental discoveries and her wariness about the health effects of ionising radiation has been very influential."

Although Stewart has been based in the UK throughout her career she is far better known in the US. Her battles over the past 20 years with the US government and nuclear industry, over the health records of atomic workers, have brought much coverage in the American media and a reputation, in the words of the *New York Times*, "as perhaps the Energy Department's most influential and feared scientific critic".

Her fight for access to the records of 30,000 workers at Hanford nuclear reprocessing plant in Washington state, the world's best statistics on occupational radiation exposure, ended in victory in 1990. Stewart and her long-term research partner, the statistician George Kneale, are still analysing the Hanford records for further information about the effects of prolonged exposure to low-level radiation. They are also re-working radiological data for survivors of the Hiroshima and Nagasaki atomic bombs, which provide the main basis for official radiation dose limits.

Stewart and Kneale say this latest work confirms their preliminary conclusion in 1976 that the official international guidelines substantially underestimate the risks of developing cancer through low doses of radiation.

Stewart has never attained high academic rank and never run a large research group.

At Oxford she was reader in social medicine from 1955 to 1974 but missed out on the professorship which many felt she deserved.

"I'm afraid she was frozen out. That's the way people deal with their opponents," says a senior Oxford scientist who is familiar with Stewart's work.

"Sometimes people treat us like Stalin did Trotsky, removing us from the records," Stewart complains.

She contrasts herself with Sir Richard Doll, now honorary consultant at the Imperial Cancer Research Fund's Oxford unit, who has been Britain's most powerful cancer epidemiologist for decades. "He was on a Medical Research Council committee that turned me down for funding in the 1950s," Stewart says. "There's an old-standing rivalry there."

Although Stewart's outsider status may have preserved her scientific independence, she admits that it sometimes hurts, too. "I feel rather sad that I have not had the opportunity to train any medical successors; I should like to have left a slight imprint on the doctors."

Stewart is especially upset when researchers fail to mention or credit the pioneering Oxford Survey of Childhood Cancers which she ran from 1953 to 1979, a register of 22,400 childhood cancer deaths from the whole UK - the largest such database in the world.

When the UK Co-ordinating Committee for Cancer Research, representing all the main cancer research funding bodies, launched a "unique national survey of children's cancer" in 1992 with Sir Richard as chairman, there was no mention of the fact that it was a follow-up to the Oxford Survey. And Stewart and her work were ignored again last year when three of Britain's best-known radiation specialists published a wide-ranging review of childhood cancer and nuclear installations.

The most important conclusion from the Oxford Survey came in 1956, when Stewart showed that prenatal X-rays were causing childhood leukaemia. It was the first evidence of low-level radiation harming human health - and quickly changed clinical practice.

Yet the 1950s were a period of optimism about both the nuclear industry and medical technology. "The suggestion that a small diagnostic foetal exposure to X-rays could lead to childhood cancer was a shocking one that initially many people did not want to believe," says Christine Cassel, professor of medicine at the University of Chicago.

"Now this concept is universally accepted and precautions based on it are routine. This



Alice Stewart: 'I do side with the ants but I don't agree with their hysterical reasoning'

was the first of many times that Alice Stewart was to be the bearer of news that people did not want to hear but which had enormous implications for health and survival."

However, unlike Stewart's findings on the effect of prenatal X-rays, her analysis of nuclear workers is far from universally accepted, as Sir Richard, 83, makes clear. "I have a great admiration for her work on the foetus but I think she has gone off the rails in her more recent radiation work," he says. "Her methodology is not scientifically valid."

Stewart believes that her strong identification with anti-nuclear campaigners has prevented her findings getting through to the scientific establishment. "I do side with the ants but I don't agree with their hysterical reasoning," she says. "If the nuclear employers listened to what we are saying and played fair with their people, they would have to pay

some compensation but it would not be a very large amount."

An important factor which has emerged from Stewart and Kneale's analysis of both nuclear workers and A-bomb survivors is that, above the age of 30, sensitivity to radiation damage increases very rapidly indeed with age. Workers in their 50s are more likely to develop cancer after exposure to a given radiation dose than those in their 20s, even allowing for a typical latency period of two decades. In other words, Stewart says, most cancers due to occupational exposure to radiation will appear among people in their 70s and 80s.

"In the end the story will come out," she says confidently, "and it's going to revolutionise our ideas about what is really happening with radiation. Then the industry will be able to breathe a sigh of relief."

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FINANCIAL TIMES
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Cinema/Nigel Andrews

Blood-letting liaisons

INTERVIEW WITH THE
VAMPIRE (18)
Neil JordanWELCOME II THE
TERRORDROME (18)
Ngozi OnwurahROUGH DIAMONDS (PG)
Donald CrombieTHE LAST MACHINE
BBC TV

Like cinema itself, vampires defy time. Stalking unchanged through the decades, they are rejuvenated by the blood of passers-by much as movies stay young by feeding on fresh audiences.

In Neil Jordan's sombre, elegiac *Interview With The Vampire* - set in the American deep south and Europe during the last 200 years - the title bloodsucker (Brad Pitt) actually encounters cinema. We catch him, just like Gary Oldman in Coppola's *Dracula*, resting his appetite in a movie theatre. Courtesy of celluloid, he is able to watch his first sunrise since he "died".

This is a haunting movie: all about time's crooked arrow and the illimitable longings of mortal and immortal life. Filming novelist Anne Rice's cultish spin-off about a Louisiana landowner (Pitt) baptised into blood-drinking by a young-old mentor (Tom Cruise as Rice's serial ogre Lestat), the director of *Angel* and *The Crying Game* makes a film that never seems a catchpenny come-down from his earlier work.

Probably Jordan was never going to give us "Bloodbath in The Bayous" anyway. But the mood here is strange, restrained; stricken with a lyrical melancholy. Faces are lit with a half-light more regretful than high-Gothic. The film's heraldic colour is ashy-grey with hints of sub-aquatic green.

Though this is a "modern" vampire story, time-shock gimmickry is confined to the use of Rice's titular framing device. We meet Pitt patiently spilling his life to a young reporter (Christian Slater), who seems nervous that his own life may

be about to be spilled. From there we flashback to the main story: the friendship tinged with eroticism between handsome Pitt and handsome Cruise.

Jordan, though, treats even this liaison without sensationalism. Though the couple fly straight up into the air at their first hungry embrace, male bonding soon yields to a message *d'croûte* with a vampirised orphan girl. (This after a sequence of gourmet wrist-and-throat-slitting involving two more mature lady friends: the only moment in the movie when you might send Aunt Edna out for popcorn.)

Finally, the three end up in Paris, where a Grand Guignol theatre harbours more blood and death; plus Antonio Banderas and Stephen Rea as actors who in all senses get their teeth into the roles.

Kinky? Perhaps. Nasty? Never. The atrocities are depicted obliquely, suavely, almost sadly. Who are we, besides, to question the ways of the undead? We know only that they can transform Hollywood stars whose range we thought finite. Tom Cruise is a revelation. Hollywood's strutting college kid is transformed by a blond wig, insinuating silences and a mid-Atlantic accent kissed with Irishry. Demonism with a blinding smile and cultured purr, Cruise is the Ivy League's answer to Bela Lugosi.

Brad Pitt's Louis pales beside him: but then that is his character's sole function anyway. The few scenes left unstolen by Cruise are burgled by Kirsten Dunst, who brings relish to her precocious vampirism. A blonde-curl moppet with a love of blood, she is the most chilling mascot of all in this movie's tale of those who, like movies themselves, make the brave choice to devour time rather than let it devour them.

Faced with *Welcome II The Terrordome* - 90 minutes of militant black agitprop masquerading as a vision of the future - how is a white film critic to feel? This one felt like a war reporter asked to describe an approaching Exocoet with his own name on it. One is caught between a desire for critical objectivity and an impulse to duck like hell.

But this first feature written and directed by Britain's Ngozi Onwurah is so well made - over three years



Kinky perhaps, but nasty, never: Kirsten Dunst and Tom Cruise in Neil Jordan's 'Interview With The Vampire'

and on a pittance - that we have no refuge in aesthetic dismissal. Only the opening is shakily heraldic: a *tableau vivant* of African slaves washed onto a New World shore, carrying the grim gleam of future discontent. But soon we are in the excitedly sordid ghetto where the plot proper lurks. Shanty-ish squall; wire palings; brutal gang feuds; rap songs on the soundtrack; drag-clothed citizens raked by police car lights.

All this plus two mix-and-match heroines: a white girl carrying her black lover's baby (until she loses it to a racist, white youth's nightmarish attack) and a black mother whose son falls to his death during a police purge.

The violence is neither penny plain nor tuppence-coloured: more powerful and rainbow-mythic. Onwurah's cameraman, Alwin H. Kuchler, should proceed straight to Hollywood without passing "Go".

Though his and the designers' inspirational models may be familiar - *Blade Runner*, *Mad Max* and other Grunge Sci-Fi classics - *Terrordome* achieves it all on a shoestring and works its own variation. This is a fresco of cheek-by-jowl lives lent expressiveness less by the actors - who are try-hards rather than natural talents - than by the stunning resourcefulness of the film's lighting and camerawork: its moody filters, skewed angles, expressionist smoke deployment.

Jason Donovan in *Rough Diamonds* is a sight to behold. The baby-faced Aussie looks as if he has fallen straight out of his cradle into his first Serious Miscalculation Incident. He plays a brawling, stubble-chinned cattle rancher who pulls sheilas, downs jabs and smashes his trucks carelessly into other people's cars. Result: he falls for the titled Miss (Angie Milliken), an ex-pop singer,

who stays for a few days while her car is being repaired.

The film, directed by the once estimable Donald Crombie (*Caddy*), is egregiously wretched. But I liked Donovan's unfazed charm and confidence. He is playing the wrong role and probably knows it; but he has been un-dauntably ever since moving from TV soaps to technicolor dream-cats. He is lucky too to work in Australia, where they value their few international stars so much that they do not care about the aptness of the vehicles. Next stop: Kylie Minogue as Lady Macbeth.

Even that is no more mind-boggling than the idea of Charles Aznavour - "Sheesh" may be his face you can't-forget - donning an arthouse hairshirt for a film of Gunther Grass's *The Tin Drum*. Volker Schlöndorff's ambitious 1979 adaptation, stuffed with conscientious bizzarrie, is back at the Everyman Hampstead. Foreign film fans

may prefer the Luis Buñuel season now at the Barbican. *Viridiana*, with its courteous blasphemies and infamously memorable Last Supper, is revived in a new 35-mm print.

Or you can take a deeper time trip. With cinema reaching a hundred this year, the first TV series to show a coloured streamer is *The Last Machine*. We congratulate everyone concerned. Ian Christie wrote the allusive, adventurist script for this BBC2 series about the first years of cinema. And Terry Gilliam bounces around the screen as our Master of Ceremonies, joining up the different bits of coloured historical parchment.

Animation, social commentary, quotes from Freud and Lewis Carroll, Edwardian porn, on-camera surgery, rail travel as barometer of the movie experience... All life is here, in the very first art form to conquer time and space; and surely the last, at least while you and I are living.

Ballet

Swan Lake

And there it is, exposed to the gaze of true believers on the South Bank, the thigh-bone of St. Improbabilis of Petersburg, in all its antique glory. Passed off to worshippers under the title of *Swan Lake*, and being cared for this week by English National Ballet, this relic still attracts thousands of believers. I do not notice many votive offerings around the stage, or those dusty crutches that are the usual testimony to miraculous cures ("Do you know, Doctor, I don't need *Swan Lake* any more"), but faith and enthusiasm clearly burn bright and the congregation delights in what it sees.

I have been no less gratified by ENB's offering under better circumstances, but the Royal Festival Hall stage is too shallow for Carl Toms' designs, and the dance is crowded forward. Illusion - except at box office success - is at a premium, and no amount of dry ice swirling around the swans is going to make the lake-side seem anything other than a pond.

The production, by the illustrious Moscow ballerina Raisa Struchkova, is a version of the staging she knew at the Bolshoi in the 1950s, and is sound enough in its Soviet-style terms. It really needs that physical passion - a full-throated emotionalism with not a little vibrato - that was the Muscovite manner in the 1950s, allied to aristocratic training. ENB's dancers make the best they can of things, on their own bright terms, and on Tuesday night I saw the Brazilian dancer Cecilia Kerche as Odette/Odile, with Roman Rykin (a young recruit from Ufa, well trained in the Vaganova method) as her Siegfried.

Miss Kerche gave a dutiful, somewhat remote reading - as if she were laying flowers on the grave of a not-too-greatly-loved aunt. Mr Rykin has good dance manners, and sure technique. He needs coaching - he is only 21 years old - for his view of the role is, shall we say, basic. (I can see, though, that in *La Fille mal gardée* - which was mounted on him by Yuri Grigorovich - he must be a youthful delight). The cause of the staging, because it is a Soviet version, is the presence of the Jester, a character ever required to be the life and death of the party in Russian productions.

On Tuesday the part was taken by Fabrice Serafino, who should count himself lucky that I (unlike Siegfried) did not have a cross-bow with me. I have rarely seen such relentless vivacity, such frenzied scampering, such demonic perky. By comparison, Woody Woodpecker is a "Tropist monk. Insufferable in the first act, Mr Serafino managed to ruin the end of the ballroom scene, when Siegfried discovers that he has been deceived, by staging his own little display of shock, horror, and Crummeles-ish mummification. He must be Spoken To by the management, or tied down to something leaden - the orchestra's account of the score might do.

Clement Crisp

At the Royal Festival Hall until January 21.

Theatre/Sarah Hemming

Strindberg's 'Dance of Death'

If Strindberg is looking down on the embattled relationship between Charles and Diana, he must be watching with a wry smile. That bitter struggle would contain no surprises for the Swedish dramatist who saw mutual antagonism as the natural condition of the two sexes.

His bleak view of the male-female conflict runs through most of his plays, perhaps expressed most clearly in *The Father* and *The Dance of Death*, both of which present us with a husband and wife locked in permanent war. But while in *The Father* a victor emerges, *The Dance of Death* ends in stalemate, with the couple at loggerheads, apparently forever.

And while Alice and Edgar are fresh and blood and their battles are frequently grimly funny, their condition is also symbolic. They live in isolation on an island, their exasperated servants have left them, and, though they both constantly declare their hatred for one another,

they seem unable to separate. "We are welded together," says Alice, at one point. "Only death can part us."

One wonders, however, whether the grim reaper could slide between these two souls, who both clearly depend on the conflict for their sense of purpose. As the play ends, there is something almost Beckett-like about these two characters, repeating their savage ritual of insults *ad infinitum*.

For The Almeida's production, Patrick Watkinson's elegant set suggests the play's symbolic qualities in physical form. It has all the trappings of a drawing room, but is mounted on a round wooden platform that emphasises the play's circular motion and is slightly reminiscent of a hull ring. On this arena, John Neville and Gemma Jones begin brightly as the warring couple, sitting in their armchairs, relaxed but watchful. Like two prize fighters poised for action, it soon becomes apparent that every sentence is an opportunity for a fight;

discussion of their impending silver wedding celebrations only opens the way for a major new offensive.

Neville, imperious and devilish, and Jones, nervy, commanding and voluptuous, screw every ounce of comedy out of the script - as the play opens she is picking her teeth, while he fiddles infuriatingly with an empty pipe - and they emphasise the sexual tension that sustains their misery. But, like George and Martha in *Albee's Who's Afraid of Virginia Woolf?*, Alice and Edgar need an audience for their power struggle.

They find one in Kurt, Alice's cousin. A casual social visit to the fortress soon has him sweating his way through the nightmarish layers of fantasy, lies and insults that make up Alice and Edgar's daily bread. Anthony O'Donnell's small, plump, well-meaning Kurt is excellent, as he perches between them, fidgeting nervously. Like some small furry animal poised between two vipers.

So far, so good. Peter Stormare's

production deals wonderfully with the play's bleak, black humour. But as it moves off into more experimental waters and crueler tactics, the production comes unstuck - Alice's affair with Kurt seems incredible.

There is a difficulty, too, with the dramatic structure of any play that explores stagnation. Strindberg overstates his case, and Stormare's production does not overcome this, neither does it negotiate the difficult mood change from blackly comic to just black, and the cast begins to compensate by slipping into melodrama. Gemma Jones, in particular, becomes increasingly mannered as the evening wears on. This is a shame as it lessens the impact of the first half. It does not destroy the evening entirely - it is still required viewing for any couple contemplating marriage - but you depart mildly stirred, rather than truly shaken.

At the Almeida Theatre, London N.1.



AMSTERDAM

CONCERTS

Het Concertgebouw Tel: (020) 671 8345
● Royal Concertgebouw Orchestra: conducted by Valeriy Gergiev plays Oestvolskaja and Shostakovich at 8.15 pm; Jan 19
● Semiramide: by Rossini. Ion Marin conducts the Royal Symphony Orchestra at 1 pm; Jan 28
● The Royal Concertgebouw Orchestra: Valeriy Gergiev conducts Bartók and Stravinsky at 8.15 pm; Jan 25, 28, 27
● OPERA/BALLET
Het Muziektheater Tel: (020) 551 8922
● L'italiana In Algeri: by Rossini. Produced by Dario Fo, conducted Alberto Zedda at 8 pm; Jan 19, 22, 24, 26

BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 341 9248
● Ballet Evening: conducted by Sebastian Lang-Lessing. Nacho Duato, Glen Tetley and Harris

Mandafounis choreograph works by Debussy, Poulenc and Stravinsky at 7.30 pm; Jan 19, 27 (7.30 pm)
● Madama Butterfly: by Puccini. Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani at 7 pm; Jan 21 (5 pm), 26 (7.30 pm)
● Oedipus: by Rihm, conducted by Peter Kusch, produced by Götz Friedrich at 7 pm; Jan 22
● Staatsoper Unter den Linden Tel: (030) 2 00 4762
● Die Zauberflöte: by Mozart. Conductor Daniel Barenboim, production by August Everding at 7 pm; Jan 22

BRUSSELS

CONCERTS
Philharmonique de Bruxelles Tel: (02) 507 8434
● Champs-Elysées Orchestra: with cellist Christophe Coin and conductor Philippe Herreweghe plays Schumann at 8 pm; Jan 23
● Philippe Herreweghe: conducts the Orchestra des Champs-Elysées to play Schumann at 8 pm; Jan 23

FRANKFURT

CONCERTS
Alte Oper Tel: (069) 1340 400
● Philharmonia Orchestra London: with pianist Zlmon Berto, and conductor Lawrence Foster plays Beethoven and Brahms at 8 pm; Jan 24

LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● Fauré Requiem: City of London Sinfonia conducted by Harry Christophers plays Fauré and

Mozart at 7.30 pm; Jan 20
● Pierre Boulez: conducts the London Symphony Orchestra at 7.30 pm; Jan 23, 27
● Festival Hall Tel: (071) 928 8800
● Swan Lake: by Tchaikovsky. The English National Ballet, choreographed by Raisa Struchkova and supported by its Orchestra at 7.30 pm; Jan 21 (Not Sun)
● Royal Opera House Tel: (071) 340 4000
● Così Fan Tutta: by Mozart. A new production directed by Jonathan Miller. Conductor Evelino Pidó, in Italian with English surtitles at 7 pm; Jan 23, 25, 28
● Otello: by Verdi. Conductor Carlo Rizzi, director Elijah Moshinsky, in Italian with English surtitles at 7.30 pm; Jan 20, 24, 28
● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell at 7.30 pm; Jan 19

THEATRE
National, Lyttelton Tel: (071) 928 2252
● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Jan 20, 21 (2.15 pm)
● National, Olivier Tel: (071) 928 2252
● The Merry Wives of Windsor: by Shakespeare. Terry Hands directs his first production at the National. With Denis Quilley as Falstaff. Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mistress Ford at 7.15 pm; Jan 27, 28 (2 pm)
● Riverside Studios Tel: (081) 741 2251
● Hancock's Last Half Hour: by Heathcote Williams, directed by Mark Piper. Set in a Sydney rented apartment. Jim McManus relives comedian Tony Hancock's last hours at 8 pm; from Jan

updated version of Verdi's opera where the dukas is a mafia boss at 7.30 pm; Jan 23, 27
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CONCERTS
Fundación Juan March Tel: (91) 435 48 40/435 42 40
● Henry Purcell and Other English Composers: a series of concerts of works by English composers such as Purcell, Tallis and Gibbons at 7.30 pm; Jan 25

NEW YORK

Galleries
Guggenheim Tel: (212) 423 3652
● The Italian Metamorphosis 1943-1968: a survey of visual arts in the postwar period; to Jan 22
● Museum of Modern Art Tel: (212) 708 9480
● A Century of Artists' Books: Exhibition of 140 books from some of this century's foremost artists; to Jan 24

OPERA/BALLET

Metropolitan Tel: (212) 362 6000
● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8 pm; Jan 21
● L'Elisir d'Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Gatti at 8 pm; Jan 21 (1.30 pm), 24, 28
● Le Nozze di Figaro: by Mozart. Produced by Jean-Pierre Ponnelle, conducted by James Levine at 8 pm; Jan 20, 25, 28 (1.30 pm)
● Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco. James Levine conducts the opening night cast of Cheryl Studer, Plácido Domingo and Vladimir Chernov at 8 pm; Jan 19, 23, 26
● Turandot: by Puccini. Produced

by Franco Zeffirelli, conducted by Nello Santi at 8 pm; Jan 27

PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● National Orchestra of France: with violinist Sarah Chang and conductor Charles Dutoit plays Ravel, Lalo and Stravinsky at 8 pm; Jan 19, 24
● Soirée Beethoven: part of the 'Prades aux Champs Elysées' series featuring oboists J. Louis Capezall and Christian Schmitt at 8.30 pm; Jan 20
● Soirée Mozart: part of the 'Prades aux Champs Elysées' featuring violinist Raphael Oleg at 8.30 pm; Jan 21

WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Chamber Orchestra: 10th anniversary gala concert with the Washington Bach Consort. Piotr Gajewski conducts at 8.30 pm; Jan 25
● Washington Chamber Symphony: Stephen Simon conducts Bach and Haydn at 7.30 pm; Jan 20, 21
● OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● The Bartered Bride: by Smetana. Conducted by Heinz Fricke, in English at 8 pm; Jan 19, 21, 25
● Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene at 8 pm; Jan 20, 23 (7 pm), 26

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Strange cult of the central banker



Popularity is not something to which central bankers naturally aspire. Nor should they, since their chief task, the maintenance of price stability, requires them to apply deflationary remedies just when an economy is showing momentum. In the memorable quip of the US Federal Reserve's longest serving chairman, William McChesney Martin, they are required "to take away the punch bowl just when the party is getting going".

Yet as Paul Volcker, one of Martin's most revered successors, remarks in his foreword to this new book on the subject, central banking is at a pinnacle of influence and respect. Authors Marjorie Deane and Robert Pringle, both seasoned observers of central bank behaviour, refer to it as a "cult". What has brought about this enhancement of the central bankers' reputation? And why are so many central banks being granted a greater degree of independence from government?

The nadir was in the 1930s, when central bankers were blamed for the Depression. Politicians thereafter laid claim to a greater role in monetary management to prevent unemployment. The turn of the tide came in 1971-73, when the Bretton Woods fixed exchange rate system broke down largely because of the US reluctance to pay for the Vietnam war with higher taxation.

As inflation accelerated and the supposed long-term trade-off between inflation and employment ceased to hold, the theoretical underpinning of Keynesian demand management came under attack. By the end of the 1970s, the chief objective of monetary policy was again perceived to be the achievement of price stability, and while technical arguments about the means to that end have since waxed and waned, the consensus among central bankers, if not among academic economists, is that monetary policy influences inflation rather than real output.

In the aftermath of so much inflationary excess, Keynes's high-minded view of interventionist politicians and civil ser-

THE CENTRAL BANKS

By Marjorie Deane and Robert Pringle
Hamish Hamilton, £25,
369 pages

vants as rational, disinterested Platonic guardians looked anachronistic. In the 1970s, economists identified a political business cycle and called for constitutional constraints on politicians who acted as rational maximisers of their own personal utility - of votes, in a word. In addition, ageing populations in the developed world were ready for policy that favoured the interests of creditors with net financial assets over debtors. Even left-wing politicians came to see advantage in central bank independence as a means of overcoming electoral suspicion about their intentions.

The paradox of the central bankers' new found status, as Deane and Pringle rightly diagnose, is that it comes just as their power is declining in important respects. The liberalisation of financial markets deprives them of many instruments of control. With free global capital flows, any form of exchange rate management short of full-blown monetary union no longer works, as Mexicans and Europeans know to their cost.

Nor does central banking independence provide insulation against these tidal flows of capital - witness the plight of the Bank of Spain last week in face of a currency and bond market squall. Indeed, independence looks suspiciously like a nostrum whose time has come too late. The political business cycle has latterly been about fiscal excess, rather than pre-electoral monetary laxity. And it is long-term interest rates set by central bankers, that now impose the more potent discipline on weak, over-indebted governments.

The second key objective of central bankers is the stability of the banking system. Here their lender of last resort function, together with the use of deposit insurance, is arguably self-defeating because of moral hazard. Depositors exercise little discipline over imprudent bank management because

they know that their return is safe regardless of the risk run by the bank. Meantime, insured deposits increasingly go to finance banks' own trading in esoteric derivative instruments which central bank supervisors find hard to understand and monitor.

The potential costs to the taxpayer of this safety net, say the authors, may have grown to an incalculable extent. Their preferred remedies are the restriction of deposit insurance to less than 100 per cent, more bank bankruptcies and tougher sentences for bank fraudsters. They sympathise, too, with proponents of a two-tier banking system in which insurance is offered only for deposits invested in low-risk assets.

Yet in practice few central banks find it easy to retreat from the "too-big-to-fail" doctrine. If Don Brash of the New Zealand central bank advocates a minimalist role, he does so in the knowledge that most of his big banks are foreign-owned and thus someone else's headache. And if, in practice, the threat posed by a financial crisis is usually less one of disruption to the payments system than of credit withdrawal and debt deflation, central banks might still feel obliged to act as lenders of last resort to the high-risk stratum of a two-tier banking system. That is certainly the view of Professor Charles Goodhart of the London School of Economics Financial Markets Group, formerly of the Bank of England.

Deane and Pringle offer a comprehensive review of the arguments and leading institutions. If there are no great inside revelations about the international and domestic monetary battles of the recent past, the book is not without nuggets for connoisseurs of this slightly *recherché* genre. One such comes from the former central bank governor of the Solomon Islands, who presided over a money supply slashed away largely in milk tins in villages. "The giving of advice to government," he remarked, "can be personally hazardous, a bit like bringing the news of military reverses to the later Roman emperors." Now there's real central banking for you.

John Plender

"I am glad to tell the House that this approach has allowed us to make overall savings even greater than those achieved last year... Not 10, not 15, not 20 but another £45m of the Control Total over the next three years on top of last year's reductions... That is a reduction over the four years covered by my two Budgets of £430m."

One US senator to another: "A billion here, a billion there and soon you are talking of real money."

The UK Budgets of 1993 and 1994 aimed to reduce public sector borrowing to well below the Maastricht treaty limit of 3 per cent of gross domestic product over the next couple of years and - more speculatively - to turn it into a surplus by the end of the decade. To do so the government has imposed a series of staggered tax increases. These are officially expected to raise the tax-take to a higher proportion of GDP than anything seen since 1981. Any so-called tax cuts before the next election can only make a tiny dent in this increase.

The English followers of former president Ronald Reagan and the new US House Speaker Newton Gingrich would claim that this is a bad distribution of the burden and that there should have been real spending cuts instead. The Labour party on the other hand must surely thoroughly approve of the government's priorities, but cannot say so if it is to appear fiercely opposed to everything now happening.

Mr Kenneth Clarke, the chancellor, however, asserts, with every sign of believing it, that spending cuts have made as large a contribution as tax increases to the improvement of the public finances. This week's Report of the Treasury Committee of the House of Commons provides an opportunity to examine the assertion. The decision on how much of the national income to spend collectively is a basic political choice. Why then should it be surrounded with so much technical obfuscation which has to be penetrated before the political discussion can even begin? One reason is the frequent shift between talking about year-to-year changes - actual or planned - and alterations which simply represent differences compared with previous plans for the same year. Governments talk too much about these differences, but year-to-year changes are more meaningful as well as a good deal easier to follow.

ECONOMIC VIEWPOINT

Those vanishing spending cuts

By Samuel Brittan

UK public expenditure

Changes in 1994 Budget (£2bn)

Cash terms	1995-96	96-97	97-98
Control Total	-0.9	-0.3	-0.9
Cyclical social security measures	-0.4	-0.7	-0.9
Total Budget changes	-7.2	-0.9	-0.4

Real terms (1993-94 prices)	1995-96	96-97	97-98
Control Total	-0.5	-1.6	-0.4
Cyclical social security measures	-0.3	-0.6	-0.8
Total Budget changes	-0.8	-2.2	-0.9

Source: Financial Statement, Nov 1994

Control Total that Clarke attributes to his last 1994 Budget.

One feature that is slightly naughty about such totals is that they are the result of adding up projected savings over several years. It is not just pedantry that makes economic analysts prefer per annum comparisons. For, by taking enough years at a time, anyone can create vast increases in, say, health service spending or vast decreases in the overall total, depending on the political point.

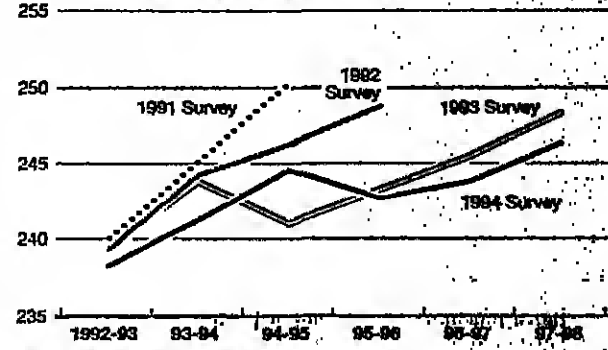
The year-by-year breakdown of the "cuts" is shown in the table. The same table also gives the cuts in real terms after allowing for the government's own estimates of future inflation. For the three years taken together, the average

annual real "cut" amounts to just £1.4bn. This is just over 0.2 per cent of GDP, equivalent to the cost of half a penny off the basic rate and lower rates of income tax. It is moreover suspicious that these real "cuts" are smallest in the 1995-96 financial year and build up as time goes on. It is also suspicious that these modest real cuts in the Control Total compared with previous plans would disappear altogether without some adjustments in the contingency Reserve. (The nature of these adjustments would - as Miss Prism might have said in *The Importance of Being Earnest* - be too sensational for a family paper.)

There is however a much more interesting dispute between the chancellor and the

Public spending

Control Total in real terms (£bn, 1993-94 prices)



Source: Financial Statement, Nov 1994

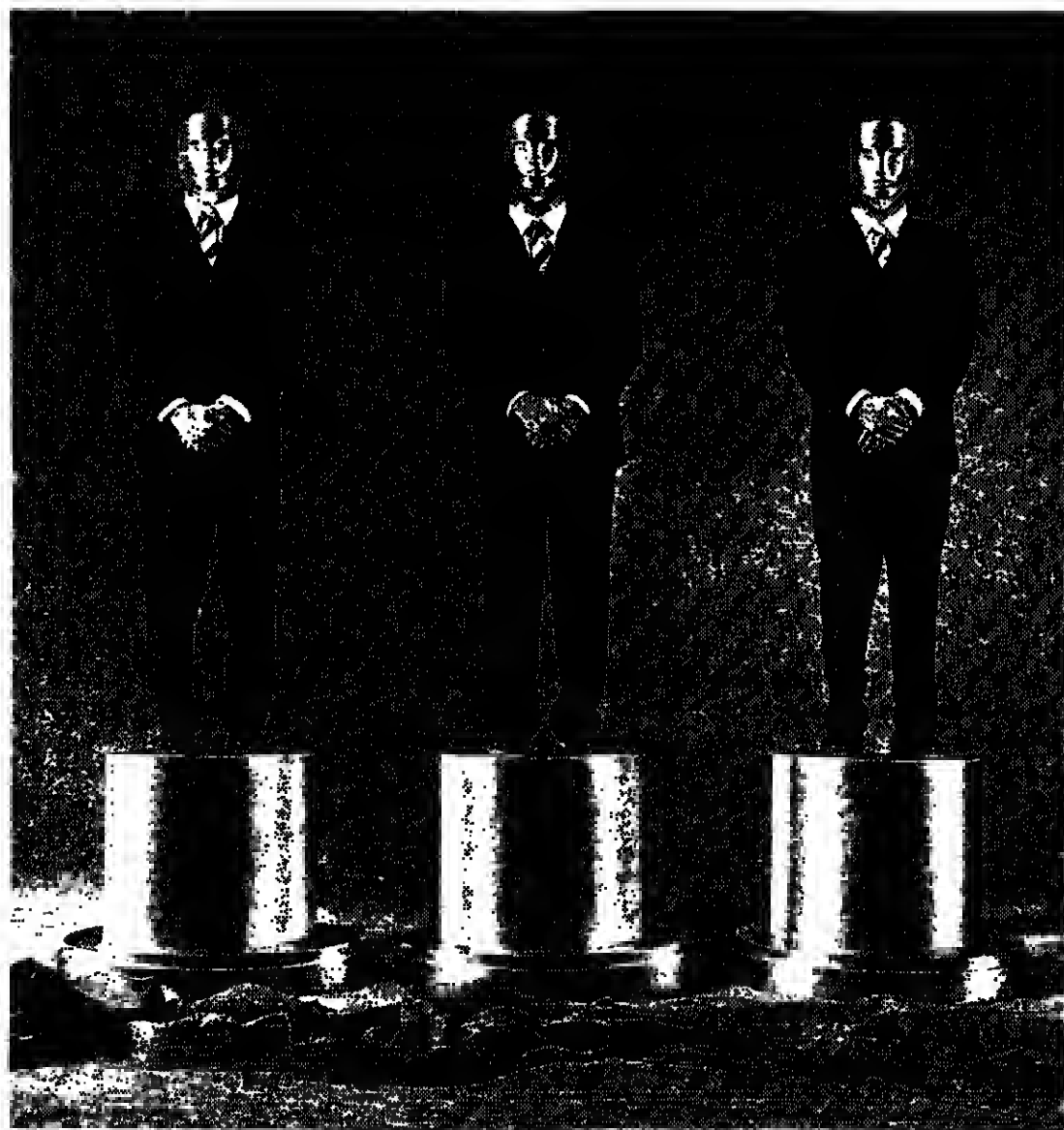
Treasury committee which relates not to future financial years but the present one, 1994-95. If you look at the matter in cash terms, this year's Control Total is estimated to be less than originally planned, in other words, a saving in public spending and a victory for the Treasury. But the saving here is entirely due to inflation turning out lower than expected. In real terms the Control Total is, as the chart shows, estimated to be both higher than previously planned and higher than in the previous year.

The Treasury Committee comes close to arguing that the Control Total should be adjusted downwards in a year when inflation falls below forecast and adjusted upwards when it exceeds forecast. The Treasury replies that it would be extremely disruptive to adjust spending limits in the course of a year in line with changing inflation estimates. It is saying, in effect, that a year of unexpectedly low inflation is good luck for the spending departments. On the other hand in a year of disappointingly high inflation - when many unpopular adjustments will have to be made - the spending departments will have to find extra economies to absorb the cost overrun.

In principle the Treasury's case against adjustments within a single year is a strong one. But even if one accepts it the government's recent spending performance does not look too impressive. The first Public Expenditure Survey which tried to come to grips with the spending surge was that of 1993. This showed a substantial rise in real terms in the year when it was made, followed by a drop in the year ahead. The drop failed to materialise. Yet the same lumpy-backed path is shown by the latest Survey (1994) with the dip postponed by a further year. It therefore requires the eye of faith to make one believe that a government will be able to stick to its very tight - although not Gringrich-like - real plans further ahead.

In public spending, as in much else, governments must plan for a greater degree of success than jaded outside observers expect them to achieve. If this government and the one after it can hold the trend of spending below the trend growth of national income most critical observers will breathe a sigh of relief - even though it will be more than the chancellor would have us expect.

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to "file"). Translation may be available for letters written in the main international languages.

CAP reform and enlargement of EU

From Mr Martin Haworth.

Sir, Your article on the implications for the Common Agricultural Policy of a wider European Union concludes by noting that many of the suggestions for reform have been strongly resisted by European farm lobbies ("Steichen sees no need for CAP reform", January 17).

While this may be true of some of the specific suggestions made, it is unfair as a general statement. The National Farmers' Union published a paper last year which set out a series of options which seem very similar to those contained in the most recent paper produced by various

European professors.

Last November the European Farm lobby (Copa) jointly issued a long statement on the Accession of Central and Eastern European Countries which, among other things, explicitly recognised that the current CAP may not be an appropriate basis for a policy for a wider Union. Martin Haworth, head of international affairs, National Farmers' Union, 22 Long Acre, London WC2E 9LY, UK.

From Mr Terry Wynn MEP. Sir, Your report, "Steichen sees no need for CAP reform",

raises two very serious questions. First, there is absolutely no point in the European Commission spending time and money on academic reports if Commission officials are then quoted as saying they will go straight into the bin. This is a totally unacceptable use of the European Union's budget.

Second, it is clear to everyone except the Commission that the CAP will not survive a further enlargement of the European Union without more reform. Despite what the Commission says, there is not enough money in the budget.

It is not a case of "political naivety": academics are not asked to provide political solu-

tions, but economic analysis. It is a case of complete lack of political will, both in DG VI (the farm division of the Commission) and in the Farm Council of Ministers.

CAP spending will not be "controllable and fixed" unless and until we reduce prices further and decouple compensation payments completely from production. The Commission cannot continue to ignore the evidence. Terry Wynn, chairman, Land Use and Food Policy Inter-group, European Parliament, Strasbourg, France.

AWA shareholder interests

From Mr George Loudon, Sir Charles Powell and Mr Ian Tegner.

Sir, For a tactical change in our Paris listing, aimed at encouraging more private investors in a company whose French activities are significantly greater than those in the UK, to be put forward by your correspondent (Lex: "Arjo Wiggins Appleton", January 17) as "creeping French control" is disingenuous.

Further, then to use this conclusion to criticise the composition of the board, its dividend

policy and its acquisition policy, moves on from the disingenuous to the mischievous.

As three independent non-executive directors of our company, we are confident that we have proper procedures in place to take into account fully the interests of all shareholders - including St Louis. George Loudon, Charles Powell, Ian Tegner, Arjo Wiggins Appleton, 25 St James's Street, London SW1A 1HA, UK.

Hard evidence elusive on climate change forecasts

From Mr John Shlues.

Sir, Nancy Dume's article, "Insurers in a storm" (November 3), describes new attempts by environmental activists to attribute incidents of extreme, destructive weather in the past several years to human-induced global warming. Specifically, she notes that the green lobby is trying to draw the powerful insurance industry, which has paid out millions in the wake of these natural disasters, into their fight for more government environmental regulations.

In fact, the supposed causal connection between alleged greenhouse warming and recent weather-related disasters does not stand up to scrutiny.

Implicit in the claims of environmentalists is that recent hurricanes, floods and other severe weather events have been unique in their frequency and intensity. In reality, they have not been. The US has documented similar periods of harsh weather in the past, most notably in the 1930s and the early 1950s - a time when atmospheric levels of greenhouse gases were significantly lower than today.

Furthermore, it must be noted that the scientific community continues to debate the validity of the theory that greenhouse gas emissions will lead to significant climate change. Hard evidence support-

ing forecasts of climate change eludes researchers, whose theories are based only on the predictions of computer models that are widely acknowledged as flawed. In short, the fundamental premise of environmentalists' claims is flimsy, at best. Climate experts are sceptical of claims that weather in past years is the sign of a changing climate. According to Dr John Houghton, co-chair of the United Nations body charged with reviewing climate change science, "The range of normal natural climate variation is large. Climate extremes are nothing new. Climate records are continually being broken... Changes in climate which indicate a genuine long-term trend can only be identified after many years."

In addition, the World Meteorological Organisation has warned against drawing unfounded conclusions linking climate change to specific weather events.

Finally, environmentalists' use of the high damage costs to suggest increased severity of storms is disingenuous. They do not mention that more people are building more expensive developments on land previously undeveloped due to its vulnerable location. John Shlues, executive director, Global Climate Coalition, 1831 Pennsylvania Avenue NW, Washington DC, US.

Society's ethical choices

From Mr John Hartley.

Sir, While appreciating Michael Prowse's attempt to address an important issue in his article, "Adam Smith and the virtues of capitalism" (January 16), I believe that, when he argues on moral grounds for a regime in which no special privileges should be extended to any group or individual, he fails to make an important distinction.

The basis for the ethical choices available to a society in which all members have equal access to resources is very different from that obtaining in a world such as ours where inequality, injustice and the unfair distribution of resources are the norm. To use a metaphor drawn from Adam Smith's time, the values which

Mr Prowse appears to espouse in his article would allow him to judge as fair a duel in which only one of the participants was armed.

I am also intrigued when Mr Prowse argues that "man has a right to work where he wants". Does this mean that he is in favour of allowing labour to have as clear an access to capital as capital has had to labour? In other words, a free market for labour as well as for capital? Would he then wish to see the repeal or abolition of all immigration laws? On this at least we might agree.

John Hartley, Nishihara Heim 2B, Nishihara, 1-4-2, Shibuya, Tokyo, Japan

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Thursday January 19 1995

Who are you, Mr Balladur?

Yesterday, Mr Edouard Balladur officially declared that he is a candidate in the French presidential election. Opinion polls give him such a commanding lead that most commentators are already treating his election as a certainty. That is always unwise. A surge by Mr Jacques Chirac cannot be ruled out; a late decision to run by Mr Raymond Barre could cut deep into Mr Balladur's support. But so long as he remains the favourite, the most creative use that can be made of the campaign is to try to obtain from candidate Balladur a clearer picture of the direction in which President Balladur would lead France.

Mr Balladur has talked of continuing with the cautious, consensus-building approach of the past two years. For all that, there are two issues on which both France and its partners will want clearer answers than can be readily inferred from the French prime minister's record: the management of the French economy and, closely related to that, the shape France wishes to give to the European Union, in co-operation with its partners, above all a powerful united Germany.

Over the past three years the French have paid a high price, in slow growth and unemployment, for holding the party between the franc and the D-Mark. Its leaders, including Mr Balladur, are convinced that their success in weathering the recession without devaluing the franc has vindicated them. But the cost of doing so has also confirmed them in their desire to achieve full economic and monetary union (Emu).

Though Mr Balladur himself, in opposition at that time, brought himself to support the Maastricht treaty only with well publicised reluctance.

Fiscal measures
According to recent forecasts from the Organisation for Economic Co-operation and Development, the fiscal deficit will remain one percentage point above the Maastricht target of 3 per cent in 1996. As Mr Jean-Claude Trichet, governor of the Independent Bank of France has remarked, it would be unimaginable for France not to meet this test. To be confident of doing so, the government will have to take fiscal measures

level reached at the end of 1994. The question is whether the December figure merely brings that increase forward or provides a higher base for the same upward trend. Nobody knows as yet, but the jump was only partly explained by increases in excise duties and vehicle licence fees. At the very least, the price increases suggest that pre-Christmas discounting was smaller than a year before. Meanwhile, prices of inputs into manufacturing industry showed a rise of 8.3 per cent in the year to December. Since output prices rose only 2.5 per cent, the increased cost of raw materials has not yet been passed on. The fear is that it will be.

Buoyant economy
The unemployment data reinforce the view that the economy has been buoyant. Seasonally adjusted unemployment declined by 55,000 in the latest month, pushing the unemployment rate down to 8.6 per cent. In addition, the September figures for the workforce in employment show a jump of 140,000 over the quarter, the first rise in this series since mid-1993. The somewhat different labour force survey gives an increase of 115,000 between summer and autumn. The underlying increase in average earnings did remain at 8 per cent, but this is always a lagging indicator.

Interest rate decisions have to be taken against the background of the UK's still limited credibility. The inflation implied by the gap between conventional and indexed-linked gilts is 4 per cent, well above the announced target of 1.25 per cent for the second half of this parliament. Monetary policy in the UK is also less credible than in France, though the gap in yields on 10-year bonds has fallen to about half a percentage point. Since the trust of investors has not yet been won, policy has to err on the side of caution.

The latest news does not mean that another immediate increase in interest rates has to be made now, particularly since the last increase, of half a percentage point, was made only in December. But the data of the next month or so will have to be watched very closely. Much more news like this and another interest-rate stitch will become not just desirable, but essential.

amounting to perhaps 2 percentage points of GDP. Given the already high tax burden, such measures need to fall on spending. To do so will require Mr Balladur to confront interest groups head on, in a manner that has certainly not been his style hitherto. How, if at all, does he intend to do this?

High unemployment
In 1991, when the two economies were at roughly comparable points in the economic cycle, the proportion of the French workforce employed was only 60.2 per cent, as against 71.5 per cent in the UK. Rightly, Mr Balladur recognises that the top economic priority is to create jobs, so lowering the disastrously high rate of unemployment, now 12.8 per cent. If elected, Mr Balladur would have to promote job creation more energetically than hitherto. Some cautious measures have been taken to lower the cost of hiring unskilled workers. What else does he plan?

Emu is the heart of France's domestic and its European policy. But these plans also raise the question of how far Mr Balladur is prepared to go to meet German demands for a federal political union. In an article in *Le Monde* of November 30 he appeared to reject this demand, coming closer to the UK government's view, also that of General de Gaulle, that Europe should be a union of freely co-operating sovereign states. How will this apparent determination to separate monetary from political union be received in Bonn?

Mr Balladur favours closer co-operation with Britain on defence, while pushing ahead with Franco-German initiatives, such as the Eurocorps. He is also keen to bring defence within the EU structure, perhaps as a "fourth pillar" alongside the existing ones of the economic community, the common foreign and security policy, and co-operation on justice and home affairs. Clearly defence, like the two latter, would be an intergovernmental rather than a supranational affair. But how precisely would it be structured? How would it relate to NATO?

Those are just some of the questions President Balladur would have to answer in the first year or so of his term. It would be good to hear at least some preliminary answers from candidate Balladur.

UK's warning on inflation

British monetary policy can, according to Mr Eddie George, governor of the Bank of England, be described as a stitch in time to save nine. The question raised by yesterday's figures on retail prices in December, which jumped more than expected, and on unemployment in the month to December 8, which fell more than for almost six years, is whether the time has come for another stitch. The latest news may not have made an immediate rise in interest rates essential, or even desirable. But it has certainly brought that day closer.

In Monday's speech to the Chartered Institute of Bankers, presumably made in full awareness of yesterday's figures, the governor said he could not "in all honesty tell you whether or when policy will need to be tightened further". This seems obvious. Even if he did know, he would not tell the world. But the statement was presumably designed to assuage alarm, as was the argument that the measured actions already taken did not indicate any intention to push interest rates to past levels, but were done "precisely in order to avoid having to jerk up interest rates later".

This is comforting. But another half a percentage point, or even more, would hardly be ruled out by this careful statement, particularly when the base rate of interest is at 6 per cent, remains very low by historical standards. The decisive factor, as Mr George made clear, will be prospective inflation, on which yesterday's news was indeed disturbing.

Forecasts exceeded
The retail price index, less mortgage interest, rose half a percentage point between November and December and 2.5 per cent over the year. In the year to the fourth quarter of 1994 it rose 2.2 per cent, which is more than the 2 per cent forecast by the Treasury at the time of the Budget in late November. The year on year rate in December was also higher than that forecast by the Bank of England in its inflation report for November, though not, interestingly, in August. At least the Bank's economists can no longer be accused of being consistently over-optimistic.

In November the Bank expected inflation in 1995 to rise above the

Europe's state-owned telecommunications operators are preparing to face competition for the first time across every sector of their business. For more than a century, legislation has ensured the continent's telecoms companies retained national monopolies in both infrastructure and services. That protection will be swept away within three years.

Following decisions in 1993 and late 1994 by European Union governments to open their telecommunications markets and improve the performance of companies in the sector, European telecoms operators will be confronted with new challenges, often from aggressive foreign competitors. Some may not survive, at least as independent organisations.

The benefits for Europe's business and residential customers, however, should include lower prices and a broader range of services from a greater choice of suppliers.

For most of the 20th century, the provision of telecommunications has been considered both a natural monopoly and the responsibility of the state. This attitude has now largely been abandoned by politicians and the operators themselves.

One of the first responses to the prospect of increased competition has been the formation of four strategic alliances involving the largest telecoms groups: British Telecommunications (BT), the largest British operator which was privatised a decade ago; Deutsche Telekom and France Telecom, the second largest US long-distance company, have a joint venture called "Concert";

Deutsche Telekom and France Telecom, the German and French state monopolies, have linked with Sprint, the third-largest US long-distance operator, in "Atlas". The Swedish, Dutch, Swiss and Italian telecoms operators are involved in "Unisource".

AT&T, the largest US long-distance operator which had its monopoly broken up 10 years ago, has loose links with a number of operators in a venture called "WorldPartners".

The nominal aim of these alliances is to win business from large multinational customers. But as the Cambridge-based consultancy Analysys points out in a new study: "Their founders know that this is only the first move in the battle for control over the global telecoms services markets of the future which will be accompanied by radical restructuring of the industry."

According to the Organisation for Economic Co-operation and Development, the telecoms business already generates more profits than any other European industrial sector. Mr Laurence Heyworth, telecoms analyst with Robert Fleming Securities in London, calculates that the six major European telecoms operators (excluding Deutsche Telekom's east German activities) will this year generate cash surpluses - after capital expenditure, interest and dividends - of more than \$4bn, or about \$30 per exchange line.

But Europe's politicians are afraid that Europe will be left struggling in the slow lane of the information superhighway - the provision of advanced interactive

telecoms stakes, has been a catalyst for change. Last year, European Union industry ministers, taking their cue from the Commission, agreed that telecommunications infrastructure - physical networks including trunk routing, exchanges and the "local loop" between the exchange and the home or office - would be opened to competition by January 1, 1996. This follows the decision in 1993 to allow competition in services by the same date. (Ireland, Greece and Portugal, whose networks were considered insufficiently developed, were granted an extra five years of protection.)

Armageddon, sometime
The Grim Reaper has knocked on the door of The Armageddon Letter, a doom-laden sheet edited by Julian Snyder in Switzerland. Its January issue is to be its last.

Obsessed with disaster to the very end, Snyder has reviewed his standing predictions. He has already scored with his forecast of a bear market in bonds. There remains the following, albeit with no dates attached: a collapse of the world's currency system; another stock market crash; a surge in US defence spending and the federal deficit; a commodities boom; massive inflation and a stampede into gold and silver; and world war III.

But although the Four Horsemen of the Apocalypse fittingly gallop across the front page of his final issue, this is not quite the end of the world for Snyder. He will be able to gloat over the promised catastrophes through an Armageddon column in the rival newsletter published by the veteran Harry Schultz, who has welcomed him to his "survival encampment".

Spine-tingling
Coincidence or divine intervention? On the day Japan's Kansai region was hit by an earthquake, 200 delegates were sitting in Osaka, attending the

telecommunications to office and home - if competition is not introduced to spur innovation and investment.

Last year a group chaired by Mr Martin Bangemann, the EU industry commissioner, produced a report which argued that the information highway was critical to Europe's future and that liberalisation of the telecoms market was an essential building block.

The example of the liberalised UK market and the profits growth enjoyed by the privatised BT have encouraged the belief that a taste of competition will benefit other European telecoms companies.

The higher companies such as Deutsche Telekom and France Telecom, which only a few years ago vociferously opposed any threats to their monopolies, now claim to look forward with equanimity to a more competitive regime.

However, underlying the big operators' new enthusiasm for liberalisation is a gloomy awareness that they will not all benefit from liberalisation, and that vigorous competition will put heavy pressure on today's generous trading margins.

Much of what is happening in telecoms today is preparation for that inevitable squeeze on profits. The big operators are seeking to protect their home markets while finding ways into new markets - chiefly through their alliances. They are also hoping to stimulate demand for new services to offset declines in revenues from traditional telephony.

The rewards for the companies that succeed will be big. The industry is generating cash on an unprecedented scale and there is every sign that that will continue for some years. There is, for example, some growth in the number of telephone lines installed. Staff numbers and capital expenditure have been reduced and the cost growth is slowing. New technology means that the cost of capacity is falling faster than prices.

In a recent article, however, Mr Tim Kelly of the International Telecommunication Union's strategic planning unit, warns: "In 15 years, the industry will be dominantly privately owned, competition will be permitted in most leading countries in both services and infrastructure and the windfall profits that characterised the industry in the late 1980s and early 1990s will be a fond memory."

The cost of telecommunications services in Europe is significantly more - sometimes as much as 10 times more - than equivalent ser-

with British Telecom - in anticipation of liberalisation before 1998. France Telecom controls a monopoly market. It is not on the French government's list of companies to be privatised, but a change in its legal status giving it ownership of its own shares is under discussion. It is pursuing a global strategy through the alliance with Deutsche Telekom and Sprint and of focusing on national markets in Mexico and Argentina.

Liberalisation may occur before the 1998 deadline, especially if the US authorities make it a condition of sanctioning the Sprint alliance. UK: British Telecom has been

fourth Japan-US workshop on urban earthquake hazards reduction. The conference - subtitled "how to prepare for the coming big quake" - was held in Osaka, near the epicentre of the quake, because its organisers felt that despite the possibility of a large earthquake in the region, local awareness of the risks was deplorably low. No-one needs quite such practical experience, though.

Pick and choose
The perils of being a stockpicker. Dan Dorfman, the US's foremost tipster, has long enjoyed a dedicated following for his spicy mix of analysis and innuendo, based in equal measure on interviews with leading businessmen and stock market rumour.

Just look at the reaction to some of his tips in the past week alone. Shares in Caremark, a leading healthcare company, dropped 4 per cent on a bearish comment. Quaker Oats jumped 11 per cent on a suggestion that Coca-Cola was preparing a hostile bid - it had risen 5 per cent back in October on a Dorfman tip that PepsiCo was planning a bid. Timberland, a trendy maker of outdoor clothing, also jumped more than 10 per cent on a takeover tip.

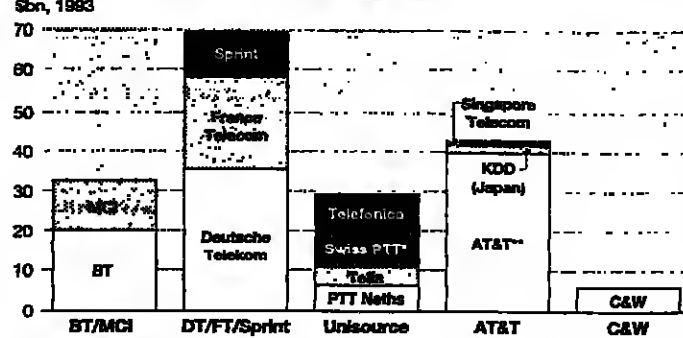
Some companies, it seems, have had enough. Coca-Cola says it doesn't comment on rumours like

Competition down the line

Alan Cane explains how Europe's telecoms operators are forming new alliances in preparation for open markets

European telecoms: forming alliances

Combined revenues of the biggest alliances



Includes non-telecoms activity (eg post)
Excludes equipment sales

Telecommunications market by country (m ECU)

Country	1991	1992	1993	1994	1995	1991-3	1993-5
France	19,317	20,545	21,859	23,339	24,728	6.4	6.4
Germany	29,802	33,639	38,335	39,275	42,621	10.4	8.3
Italy	15,380	16,556	17,715	18,950	20,230	7.3	6.9
Netherlands	5,385	5,686	6,047	6,421	6,827	6.0	6.2
Spain	9,269	9,415	9,825	10,411	11,006	3.0	5.8
Sweden	5,374	5,548	5,857	6,095	6,388	4.5	4.3
Switzerland	5,495	5,767	6,052	6,348	6,638	4.9	4.7
UK	19,910	20,311	20,932	21,631	22,299	2.5	3.2

Ranking by number of main lines

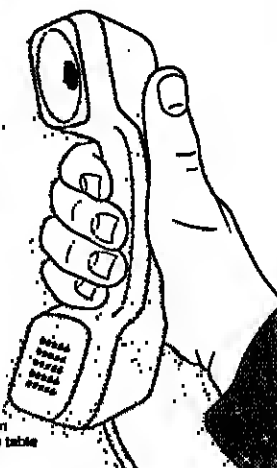
Rank	Company	Country	Lines (m)
1	NTT	Japan	57.3
2	Deutsche Telekom	Germany	35.4
3	France Telecom	France	30.1
4	BT	UK	26.1
5	Telecom Italia	Italy	23.7
6	BellSouth	US	18.7
7	Bell Atlantic	US	18.2
8	Ameritech	US	17.0
9	GTE	US	16.8
10	NYNEX	US	15.7
11	Korea Telecom	Korea	15.6
12	Pacific Telesis	US	14.8
13	Telefonía	Spain	13.8
14	US West	US	13.3
15	Southwestern Bell	US	12.8

AT&T, MCI, Sprint and KDD all have revenues in excess of \$1.5bn but do not have lines and are therefore not included in the above table. Source: Analysys; Planning Research BDO

profits in the US and this is proving a burden on Europe's competitiveness. Last year Mr Eric Benhamou, chairman of 3Com, one of the fastest growing US telecoms hardware companies, warned Europe it had to match or undercut US prices immediately; piecemeal price-cutting meant risking "death by a thousand cuts".

Profits will be squeezed by increased competition, especially for long-distance business, which will trigger a price war; the decline in the cost of calls on the transatlantic route is one indicator.

The ready availability and falling cost of new technologies have also made it easier for new players to enter the market in competition



Diversity of approaches

The state of play in Europe's principal markets reveals a diversity of approaches:

● Germany: the largest telecoms market in Europe, it is dominated by monopoly operator Deutsche Telekom, which is set for privatisation by way of a capital increase in early 1996. Deutsche Telekom is pursuing a global strategy through an alliance with France Telecom and Sprint of the US. It is investing in the various national markets of central and eastern Europe.

German utilities and other companies are seeking partnerships with foreign telecoms operators - Viatel, the electricity utility, has one

with British Telecom - in anticipation of liberalisation before 1998. ● France: France Telecom controls a monopoly market. It is not on the French government's list of companies to be privatised, but a change in its legal status giving it ownership of its own shares is under discussion. It is pursuing a global strategy through the alliance with Deutsche Telekom and Sprint and of focusing on national markets in Mexico and Argentina.

Liberalisation may occur before the 1998 deadline, especially if the US authorities make it a condition of sanctioning the Sprint alliance. ● UK: British Telecom has been

privatised for 10 years and now operates in Europe's most liberal market, facing competition from more than 40 licensed operators. It also suffers the most complex regulatory regime. It is pursuing a global strategy through Concert, a network services joint venture with MCI of the US. Improved efficiency and strategic thinking put it among the most advanced operators.

Italy: Perhaps the least advanced of Europe's operators, Telecom Italia was formed last year through the merger of five Italian operating companies. Listed on the Milan bourse, it provides domestic and international services and has

with established operators. And the growth of new services is proceeding more slowly than expected, while some of these services, such as mobile telephony, are replacing rather than complementing traditional services. Electronic mail running on the Internet global computer network is beginning to substitute for fax, for example.

Some 40 of Europe's largest multinational companies have already started to take matters into their own hands by collaborating in an arrangement that would bypass their national operators. Increasingly irritated by the high cost of Europe's telecoms and inadequate service, they have turned to BT and an alliance of AT&T of the US and the Swiss, Swedish and Dutch telecoms operators to provide them with comprehensive cross-border services in Europe.

The group - the European Virtual Private Network Users Association - includes Rank Xerox and ICL and is chaired by Mr John Sale (responsible for telecoms at Rank Xerox but now employed by EDS of the US, which manages Xerox telecoms activities). Other members, including banks and industrial groups, are shy of revealing their membership because of fears of falling foul of anti-cartel legislation.

Such companies' bills contribute the lion's share of telecoms profits, but they complain their needs are largely ignored by the operators. The deals, which should be signed on March 1, will give the companies tariff reductions and access to advanced services.

Mr Sale says pan-European companies have found it impossible to persuade individual telecoms operators to cater to their needs: "They never ask us what we want and they never deliver what we want," he complains.

He believes the agreements with BT and the AT&T alliance will provide three benefits for members: ● Management of trans-border networks linking the various offices of each multinational, one of the biggest technical headaches for large companies.

● Access to advanced services not easily available from today's monopolists: "Many of us are keen to have audioconferencing on demand, calling cards, common numbering and short code dialling," Mr Sale says.

● Cost savings that will be at least 20 per cent and could be as much as 40 per cent of today's rates.

Strategic alliances allow national telecoms companies to adapt to such demands from large customers, in addition to offering ways into new geographical markets and sharing the risk and cost of developing new products and services.

Alliances are, however, a gamble. Mr Michael Denmead, one of the authors of the Analysys study, points out there is a balance to be struck between moving early into a partnership to seize competitive advantage and making the most of the remaining monopoly period to build up profits and reserves, pay off debt and restructure their operations for the 21st century.

**Strategic Alliances between Telecom Operators, Analysys Publications, 21 Castle Street, Cambridge UK, CB2 3RS*

a monopoly. It says it favours liberalisation, but in a "controlled manner". It is developing business in Greece and Argentina.

Italy has more expensive tariffs than other main European economies. Liberalisation before 1998 is unlikely.

Spain: Telefonía is listed but run by the state, which has a 32 per cent holding. In global markets it is a member of Unisource, a joint venture including the Dutch, Swedish and Swiss telecoms operators that is itself allied with AT&T of the US. It is pursuing a successful expansion in South America where it is the largest foreign operator.

The Spanish government had secured a five-year extension to the EU deadline, but Telefonía has now decided to meet it.

OBSERVER

Armageddon, sometime

■ The Grim Reaper has knocked on the door of The Armageddon Letter, a doom-laden sheet edited by Julian Snyder in Switzerland. Its January issue is to be its last.

Obsessed with disaster to the very end, Snyder has reviewed his standing predictions. He has already scored with his forecast of a bear market in bonds. There remains the following, albeit with no dates attached: a collapse of the world's currency system; another stock market crash; a surge in US defence spending and the federal deficit; a commodities boom; massive inflation and a stampede into gold and silver; and world war III.

But although the Four Horsemen of the Apocalypse fittingly gallop across the front page of his final issue, this is not quite the end of the world for Snyder. He will be able to gloat over the promised catastrophes through an Armageddon column in the rival newsletter published by the veteran Harry Schultz, who has welcomed him to his "survival encampment".

■ Coincidence or divine intervention? On the day Japan's Kansai region was hit by an earthquake, 200 delegates were sitting in Osaka, attending the

fourth Japan-US workshop on urban earthquake hazards reduction.

The conference - subtitled "how to prepare for the coming big quake" - was held in Osaka, near the epicentre of the quake, because its organisers felt that despite the possibility of a large earthquake in the region, local awareness of the risks was deplorably low. No-one needs quite such practical experience, though.

Pick and choose
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Some companies, it seems, have had enough. Coca-Cola says it doesn't comment on rumours like

these, but added: "We would like to elaborate on our statement and observe that Dan Dorfman does not have a clue".

Earlier this week, another company that had been "Dorfmaned" - Incomet, a small telecommunications company - called a report that it was under investigation by the Securities and Exchange Commission "unconscionable", though yesterday Dorfman stuck to his guns.

Dorfman will not be too worried. As any media-conscious being knows, all of this will simply serve to feed his reputation.

Name that agency
Now that it's official, and Saatchi & Saatchi plc - the holding company for both the Saatchi advertising agencies and others - is going to change its name, Observer readers are invited to submit their own suggestions. The best ten will be published; the best of the lot will receive the usual bottle of malt whisky. Even Maurice and Charles Saatchi can enter, if they choose. Letters to the FT or faxes (+44 171-873 3395) only please.

New tenants
Haiti's military leaders are having their noses rubbed in it. The new government is throwing the army out of the very ornate, yellow building across the road from the

National palace, from where it used to run the country.

Even worse for the machismo military, the new occupants will not be the re-fashioned police - which will become the main security force - but the new ministry of women's affairs. The military is being slashed from a force of 7,500 to 1,500 and must now find itself an HQ elsewhere.

The building needs extensive refurbishing before minister Lyse-Marie Dejean moves in, though new paint and furniture may not be enough; traditionally superstitious Haitians fear its new occupants will be haunted by those tortured and killed there in the past three years.

Who's really who?
All change at the house of cards known as the Italian government. So fast are the doors revolving these days that security guards outside the office of prime minister Lamberto Dini yesterday had to resort to using newspaper clippings to spot his ministers, arriving for an inaugural cabinet meeting.

Dini has the only well-known face in the cabinet. His "government of experts" - all first-time ministers - have been selected for their powers to steer Italy through its current political crisis. Either that or because they are so unknown that - when they too pack it all in - they will avoid the ensuing uncomfortable glare of publicity.

Financial Times

100 years ago

French President elected
The election of M. Félix Faure to the Presidency of the French Republic removes all cause for immediate uneasiness. M. Faure is a Republican, but a Republican of a more moderate cast than his most dangerous opponent, M. Brisson.

M. Faure is an honest, capable businessman, whose past history will afford the scurrilous newspaper scribes of Paris very little to hang their slanders upon.

50 years ago
Miners want nationalisation
The executive of the new National Union of Mineworkers yesterday announced that if the coalowners put forward proposals as an alternative to nationalisation of the mines, the union will give a detailed reply. The union is still definitely committed to the policy of nationalisation and will back it up to the hilt.

New York exchange
A New York stock exchange seat has been sold for \$61,000, a decrease of \$4,000 from the previous price paid on 3rd December last - Reuters.

Chances of higher interest rates increased as unemployment falls

Unexpected rise in UK inflation

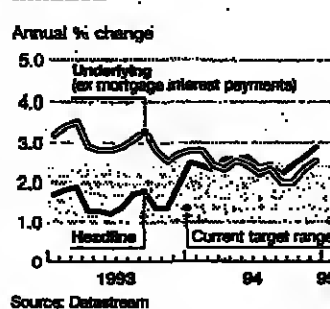
By Robert Chote and Gillian Tett
in London

UK government ministers yesterday played down fears that another sharp rise in interest rates was needed to stop Britain's economy overheating, as official figures showed a big jump in inflation and one of the largest falls in unemployment on record.

The underlying rate of inflation unexpectedly rose in December to the top of the government's target range for the end of this year. But Mr Kenneth Clarke, the chancellor of the exchequer, said this was "no problem". He said he had already taken action to subside inflationary pressures by raising rates twice last year.

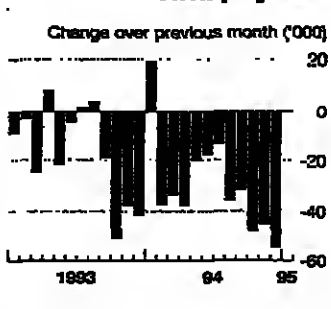
City economists still expect another rise early this year from the current rate of 6.25 per cent, but the pressure may be relieved by yesterday's announcement that the Halifax Building Society is to raise mortgage rates. With other mortgage lenders expected to follow suit, this should subside

Inflation



Source: Datastream

Unemployment



Source: Datastream

spending, and hence inflationary pressures. The size of the Halifax increase will be announced today. The retail price index rose by 2.9 per cent in the year to December, according to the Central Statistical Office. This followed an increase of 2.6 per cent in November.

The government's target measure of underlying inflation - which excludes mortgage interest payments - rose to a 10 month high of 2.5 per cent in December. Mr Clarke has pledged to keep

underlying inflation between 1 and 2.5 per cent until the end of this year.

Tax increases in November's Budget accounted for almost half last month's rise in the index. However, prices in many high street sectors were also edging up after heavy discounting and price wars earlier this year.

Analysts were unsure how far retailers would be able to make increases stick in the face of consumer caution. They warned that inflation was likely to rise again

next month, in part because of other Budget measures.

"The disinflationary pressure on the high street would seem to have ended," said Mr Andrew Cates, UK economist at UBS. "An increase in base rates in the first quarter of this year seems highly likely."

Some analysts also feared that last month's big fall in unemployment heralded inflationary pressure. The number of people without work and claiming benefit fell by 54,600 in December, after adjusting for seasonal effects.

This was the biggest monthly fall in nearly six years and only the seventh largest since comparable records began 24 years ago. The unemployment total now stands at 2,413,500, the lowest since the middle of 1991, and nearly 550,000 down from its peak two years ago.

Exports lead recovery, Page 7; Samuel Brittan, Page 10; Editorial Comment, Page 11; Lex, Page 12; Currencies, Page 20; London stocks, Page 26

Volvo to expand in Europe

Continued from Page 1

a number of small-volume models such as convertibles to expand its car range later in the 1990s.

● planning to invest SKr1.7bn to build a new paint shop and to modernise its existing paint facility at its car assembly plant in Ghent, Belgium. Further investment will increase capacity at the Belgian plant from 150,000 to 200,000 cars a year.

Mr Sören Gyll, Volvo chief executive, said that Volvo was "further strengthening its focus on automotive operations".

Volvo, which increased its truck deliveries worldwide by 33.5 per cent to a record 65,500 last year, is expanding capacity in Europe and expects to add 700 jobs at its European truck plants by 1997.

More than SKr1.2bn will be invested in Sweden to raise production capacity for truck cabs, engines, transmissions and axles. At the same time it is investing SKr512m to increase final assembly capacity at plants in Sweden, Belgium, the UK and Poland.

Volvo said it would take a 49 per cent stake in the venture with TWR, which would produce specialist cars in small series, initially coupé and convertible versions of its 850 saloon and estate car range. The venture, which will have a share capital of around SKr100m with TWR holding 51 per cent, will be located in Sweden at Volvo's former Uddevalla car assembly plant. Volvo said that the new operation would be a complete car production facility with body welding, paint and final assembly plants. The new company would invest more than SKr200m in production equipment, while Volvo would invest around SKr1.5bn.

PepsiCo's new campaign to knock rival Coca-Cola

By Roderick Oram, Consumer Industries Editor, in London

PepsiCo is launching a multimillion dollar attempt to break Coca-Cola's dominance of international cola markets. A series of television commercials taking a humorous swipe at its rival will start being screened in 30 countries in 10 days' time.

The advertisements will test the laws of comparative advertising in some countries, including the UK where attempts to knock competitors' products have been blocked by stringent legislation.

They will feature explicit presentation of a rival's product in a way still banned in some countries as unfair advertising. In other countries such as Greece PepsiCo has been working with regulatory authorities to have rules eased.

In the UK, for example, it is still trying to get the ads approved by the Broadcast Advertising Clearance Centre, a body which vets commercials for television broadcasters. Despite some easing of the rules under

recent trademark legislation in the UK, the ground needs to be tested further, PepsiCo said.

"We intend to push the envelope on comparative advertising in markets across the world," Mr John Swann, head of marketing and sales for Pepsi-Cola International, the US group's overseas operations, said yesterday.

The commercials will include scenes of a "102-year old" Italian woman falling asleep over a Coke or of supermodel Cindy Crawford reviving a Pepsi drinker, mention Coke by name and feature its distinctive cans.

With Cindy Crawford and a cast of hundreds, Mr Swann has launched the ads yesterday in a freezing and desolate County Hall, the imposing London building left empty by the axing of the Greater London Council in the 1980s.

Comparative advertising is the stuff of legends within PepsiCo for the effect it had in the US during the 1970s and 1980s in getting people to switch from Coke to Pepsi. Thirty years ago Coke's US market share was almost 40

per cent and Pepsi's less than 20 per cent. Today they are but a few points apart.

Pepsi sees comparative advertising as an essential technique for helping it to break Coke's international market dominance. Coke outsells Pepsi by about three to one outside the US.

A two-pronged approach will be tried: comparative taste tests which have been its stock in trade in the US, coupled with humorous ads. "We're not trying to denigrate Coke but only have some fun," a senior Pepsi executive said.

"Three to five years ago, I think Coke would have over-reacted to this," Mr Swann said. "But I think they have loosened up."

Comparative taste test ads have already landed PepsiCo in court in Argentina, for example, but PepsiCo said it hoped a court ruling expected within a month would allow it to use comparative advertising. In Mexico it has won an injunction preventing Coke from seeking a court ban on its advertising.

THE LEX COLUMN

Volvo on a roll

FT-SE Eurotrack 200:
1382.2 (-3.3)

Italian stock market

Comit Index

850

800

750

700

650

600

550

Source: FT Graphs

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Thursday January 19 1995

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IN BRIEF

Siberia gold field to be developed

The way is clear for development of Sukhoi Log in Siberia, the world's biggest known gold deposit, says Mr Michael Bates, chief executive of Star Mining Corporation, the Australian company that has 34.9 per cent of the venture. Page 19

Thyssen Stahl returns to profit
Thyssen Stahl, Germany's biggest steelmaker, has returned to profits after three consecutive years of losses. Page 14

Stega drops listings plan
Stega Pharmaceuticals, the Austrian biotechnology company, has abandoned plans for a London listing after failing to win sufficient financial backing to develop a "revolutionary" new vaccine. Page 18

Morocco launches first bank privatisation
Morocco is seeking to attract domestic investors to the country's first bank privatisation, launched this week with the sale of most of its 50 per cent stake in Banque Marocaine du Commerce Extérieur. Page 15

Strong fourth quarter for Roche
Sales last year by Roche Holding, the Swiss drugs and specialist chemicals company, rose 10 per cent in foreign currency terms, but only by 3 per cent to SFr14.7bn (\$11.41bn) once converted. The improvement was largely the result of "a gratifying fourth-quarter performance". Page 14

Rising paper prices boost Boise
Boise Cascade, the Idaho-based paper and forest products company, said rising paper prices boosted fourth quarter net income to \$26.5m, or 32 cents a share, reversing a year-ago loss of \$22.7m, or 98 cents. Page 15

Pfizer sales growth tops trend
Pfizer continued to outshine other big US drugs companies with sales growth last year of 11 per cent, nearly double the general level expected to be reported by other manufacturers. Page 14

Air France and Sabena close to separation
Air France and Sabena are nearing a separation agreement which could clear the way for other airlines to take a stake in the state-owned Belgian carrier. Page 14

Blenheim hit by \$4m restructuring costs
Shares in Blenheim fell 15 per cent after the exhibition organiser announced a \$4m restructuring charge and warned of difficult trading conditions in France and strong competition in the US. Page 18

Hammerson clinches \$61.5m Canada sale
Hammerson, the property company, completed its sixth substantial deal since last summer, selling more than 1m sq ft of offices in Calgary, Canada, for \$61.5m. Page 18

First Leisure dances way to big rise
Almost 7m dancers filed into First Leisure's discotheques last year, helping to boost profits by more than 22 per cent. Page 17

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Chief price changes yesterday

FRANKFURT (DEM)			LONDON (pence)		
Boise	233	+ 5.5	Boise	233	+ 5.5
Boise	233	+ 5.5	Boise	233	+ 5.5
Boise	233	+ 5.5	Boise	233	+ 5.5
Boise	233	+ 5.5	Boise	233	+ 5.5
Boise	233	+ 5.5	Boise	233	+ 5.5
Boise	233	+ 5.5	Boise	233	+ 5.5
Boise	233	+ 5.5	Boise	233	+ 5.5
Boise	233	+ 5.5	Boise	233	+ 5.5
Boise	233	+ 5.5	Boise	233	+ 5.5

GAN to seek government rescue

By Andrew Jack in Paris

Groupe des Assurances Nationales (GAN), the state-controlled French insurance company, yesterday confirmed that it would need a recapitalisation from the government of up to FFfr5bn (\$680m) to cover losses for the 1994 financial year.

The announcement highlighted the crisis surrounding companies that invested in the property sector in France, and caused GAN's share price to fall FFfr14 to close at FFfr241.

GAN may be forced to make a direct call for funds on the government. This could prove a

political embarrassment in the run-up to the presidential elections in April and May.

It comes at a time of heavy budget deficit and as a second rescue package is being discussed for Crédit Lyonnais, the embattled banking group, partly as a result of property losses.

In an official statement following informal comments reported on Tuesday by the chairman of GAN, the group confirmed that it would report substantial losses for the year triggered by heavy additional provisions at Union Industrielle de Crédit (UIC), the property company in which it has a controlling stake.

Mr Jean-Jacques Bonnaud, who was appointed by the government as head of the insurance group last July, said provisional findings of an audit currently underway at UIC indicated that the company would produce losses of FFfr2.5bn-3bn for 1994.

The details showed shares in UIC to fall by 18 per cent to close down FFfr50 at FFfr225 on the Paris bourse.

Mr Bonnaud said the losses had been primarily caused by a legacy of bad loans at Sofal, a subsidiary of UIC which specialised in the development and redevelopment of commercial property. UIC is in turn con-

trolled by GAN through a 68 per cent stake.

He said that GAN would recapitalise UIC through an injection of shares. This process would in turn cause GAN to report a deficit of the same order as the losses at UIC.

The new provisions come on top of more than FFfr1bn already set aside by GAN against UIC in the 1993 financial year and the first half of 1994, and a ring-fencing in a separate structure of the company's debts of FFfr1.8bn.

Mr Bonnaud said the government had already agreed in principle to a recapitalisation of

GAN, although the precise terms and amount have yet to be determined. They are likely to be announced at the time of the group's results in April.

Mr Bonnaud took over as chairman of UIC last October and appointed a new managing director, after which he began a detailed audit and plans to restructure the company.

"This is a very bad surprise," said one Paris-based insurance analyst yesterday who predicted further provisions would still be necessary. "GAN had already made some provisions, but was the least provisioned against property losses."

Warburg and MAM shares rise sharply in heavy trade

Takeover speculation raises questions

By Norma Cohen and Nicholas Denton in London

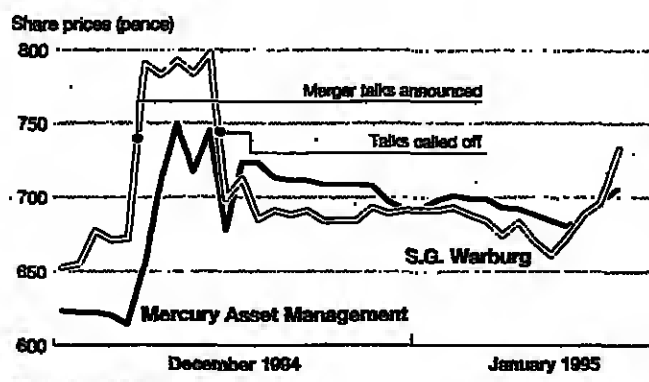
The share prices of investment bank S.G. Warburg and its 75 per cent owned subsidiary, Mercury Asset Management, rose sharply in active trading yesterday, prompting the London Stock Exchange to seek an explanation.

The exchange spoke to Warburg's broker, Cazenove, which is understood to have said it knew of no reason for the price rise. Warburg shares jumped sharply in December when it announced it was in merger talks with Morgan Stanley, the New York investment bank, but they fell back later in the month when the deal discussions were abandoned.

Warburg closed 41p higher yesterday at 737p with 1.2m shares traded, while MAM shares closed 52p higher at 749p.

Stock market traders attributed yesterday's rise to speculation that Warburg had once again become an acquisition target.

Climbing again



Source: FT Graphix

Warburg yesterday declined to comment, while Deutsche Bank, rumoured as a potential bidder, firmly denied its interest. However, there is also speculation that Warburg may be considering the sale of its some of its MAM shares, reducing its stake to just below 50 per cent.

Last month's merger talks broke down after directors at MAM indicated they were not satisfied with the terms of the deal, including the value put on MAM.

"We see no reason to change the relationship between MAM and Warburg," a spokesman for S.G. Warburg said yesterday, adding that relations between the two had been unchanged by the affair.

Recent merger activity in the

fund management industry has helped fuel speculation about the possible sale of a stake in MAM, securities analysts said. In December, fund manager Jupiter Tyndall confirmed it was in talks with several parties about the possibility of being acquired.

There is speculation that MAM directors would prefer that any stake be placed in the hands of a single, friendly buyer rather than offered to the market in a flotation. It might also prefer a buyer which could help expand its business, particularly in the retail sector.

Shares in Kleinwort Benson and Hambros, two other independent UK investment banks, also gained yesterday. Kleinwort Benson shares added 25p to close yesterday at 576p.

Norma Cohen charts a shift towards external fund management as the costs of internal oversight rise

Pension schemes cautiously step out and about

Can companies which are good at making cars or selling hamburgers also be good at managing investments? Increasingly, large corporations on both sides of the Atlantic Ocean are saying "no".

For decades, many companies with large group pension schemes have acted as the investment manager for their own funds. However, changes in the investment business mean that for many companies the advantages of managing money in-house are disappearing.

In the UK, Imperial Chemical Industries and Coats Vytella, with pension assets of \$4.6bn (\$7.2bn) and \$900m respectively, have both decided to abandon their long-standing in-house fund management teams.

The trend is already well entrenched in the US, where, both Shell Oil and IBM are considering increasing the portion of fund assets handled by outside managers.

According to data from Inter-SEC Research, a US-based consultancy firm, US pension assets managed internally at the end of 1992 were roughly 27 per cent of \$3,320bn in assets. In the UK at the end of 1992, about 40 per cent of the \$688bn in pension assets were managed internally.

Three main factors lie behind this change in corporate philosophy: changes in investment techniques eroding the cost advantages once enjoyed by internal managers; and increased vigilance over pension assets now demanded of fund trustees.

In some cases, poor fund performance can be a factor, though this is not generally the case. Data from WM Company, the UK performance measurement agency, suggests that in Britain, there has been little difference between the performance of internal and external managers.

In the five years to 1994, internal managers achieved average returns of 16.9 per cent on funds exclusive of property investments while external managers earned returns of 16.8 per cent.

The philosophical shift is that many companies, particularly in the US, are shedding peripheral activities - including pension fund management - to focus on their core business.

Traditionally, companies have enjoyed a cost advantage managing funds in-house and in many instances they still do.

However, the costs of internal management are rising sharply. For one thing, once-arcane sec-

BTR picks new chief from RTZ

By Robert Peston in London

Mr Ian Strachan, deputy chief executive of the mining group RTZ Corporation, is to succeed Mr Alan Jackson as chief executive of BTR, the UK conglomerate, early next year.

Mr Strachan's appointment, which will come as a surprise to the City of London, because it is the first time that BTR has appointed an outsider to the top post, since it was transformed into an acquisitive conglomerate 30 years ago by Sir Owen Green.

Mr Strachan, 51, is expected to join the BTR board in April and will take over as chief executive in early 1996. He has been chosen because of his international experience, according to a corporate financier who knows him.

Mr Jackson, an Australian, will be 60 next year. He will stay on the board in a non-executive capacity, after standing down as chief executive, but will not become BTR's chairman, despite speculation that he would replace Mr Norman Ireland in that role.

BTR will now start looking for a replacement for Mr Ireland, who is 67 and has been with the group since 1967.

The company is again likely to break with tradition and appoint an outsider to succeed Mr Ireland. Sir Robin Biggam, the chairman of BICC, the cables and construction group, has been mooted for the role.

However, there have been no formal discussions with Sir Robin, who would find it difficult to leave BICC at present because he has no obvious successor.

BTR is also likely to begin a search for possible non-executive directors from outside the company. Its non-executives have always consisted of former BTR



Alan Jackson: standing down

executives, in breach of a core principle of the Cadbury Code on corporate governance.

Over the past year, BTR has been the object of criticism from stock market analysts and investors, having for the previous decade been one of the UK's most respected companies.

Its shares have lost a quarter of their value in the past six months because of concerns about the absence of an obvious internal candidate to succeed Mr Jackson and worries about a narrowing of the group's profit margins.

Mr Strachan has been RTZ deputy chief executive since June 1991, when he narrowly lost out to Mr Robert Wilson in a race to be chief executive.

Before joining RTZ as finance director in 1987, he had been with Exxon, the US oil company, for 16 years.

At RTZ, he had responsibility for Pillar, a collection of building products and electrical businesses which were sold to MB Caradon 17 months ago.

BTR last night declined to comment.

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INTERNATIONAL COMPANIES AND FINANCE

Thyssen Stahl in black for quarter

By Michael Lindemann in Bonn

Thyssen Stahl, Germany's biggest steelmaker, has returned to profits after three consecutive years of losses. However, the group warned it still needed to shed a further 30 per cent of its workforce if it was to achieve the aim of becoming one of Europe's most efficient steel companies.

The company made an operating profit in the third quarter of the last financial year, which ended on September 30, but this was insufficient to offset previous losses in the year. Net losses for the year were DM448m (\$294.7m), compared with a loss of DM1.23bn for the previous 12 months.

Turnover last year rose 3 per cent to DM11bn from DM10.6bn the year before. Mr Ekkehard Schulz, chief executive, warned that the sales rise was due to higher output and that prices had only recently begun to rise. Turnover rose 22 per cent in the first quarter of the current financial year, to DM2.9bn from DM2.41bn.

The company said it hoped to have only 37,000 employees by the end of this year, some 7,000 fewer than at the end of the period under review, and 21,000 fewer than at the end of 1992.

It was unable to say how much the restructuring would cost, but revealed that some jobs would move from Thyssen

Stahl to joint ventures formed with Krupp-Hoesch, Germany's second biggest steelmaker.

The smaller losses this year were attributed mainly to cost-cutting, but Thyssen would need to redouble its efforts if it was to match more productive steelmakers such as British Steel, Mr Schulz said. Personnel costs still accounted for around 24 per cent of total turnover, a figure which the company wants to reduce to around 20 per cent by the end of the year.

Prospects for the steel business were improving as a number of European countries pulled out of recession, but it remained unclear how long the good times would last. "We

know very well that in the cyclical steel business the next downturn is on its way, and that will be the real test of whether [steelmakers] have done their homework," Mr Schulz said.

Prices were raised by an unspecified amount on January 1 and will be lifted by a further 4 per cent on April 1. The second rise was agreed with the automotive industry, which accounts for about 30 per cent of Thyssen's turnover.

Thyssen was working at full capacity to produce flat products, which make up more than 80 per cent of sales. Capacity utilisation rates for long products had also improved considerably.

Air France and Sabena close to separation

By John Ridding in Paris and Caroline Southey in Brussels

Air France and Sabena are nearing a separation agreement which could clear the way for other airlines to take a stake in the state-owned Belgian carrier, according to transport ministry officials in Brussels.

The officials declined to give details of the negotiations, but said an agreement on the sale of some or all of Air France's 37.5 per cent stake could be reached by the end of this month.

They said Sabena and Air France may continue to co-operate in some areas, even if the French airline sold its shares in the Belgian carrier.

Industry analysts in Paris suggested the timing of a deal would depend on parallel negotiations with other airlines, particularly Swissair, the Swiss flag-carrier which is negotiating the purchase of a stake in Sabena. Delta of the US and American Airlines have also been mentioned as potential partners, although Lufthansa, the Luxembourg airline, has recently played down the prospect of closer co-operation with the Belgian carrier.

Air France initially resisted the sale of its stake, which is held through Finacta, a holding company that groups the French state-owned carrier and financial partners. Air France owns two-thirds of Finacta, which holds 37.5 per cent of Sabena.

Pressure from the Belgian airline, however, and the failure to develop sufficient co-operation between the two groups, has shifted Air France's position. It is thought ready to agree to the sale of its stake, providing it recoups the BFR4bn (\$127m) it paid for its investment.

Receipts from the sale would be welcome for Air France, which is in the middle of an ambitious cost-cutting and restructuring plan.

The plan, introduced by Mr Christian Blanc, chairman, is aimed at curbing losses of FF8.5bn (\$1.6bn) in 1993 and reducing debts of more than FF20bn.

Strong fourth period lifts Roche figures for year

By Daniel Green in London

Sales last year by Roche Holding, the Swiss drugs and specialist chemicals company, rose 10 per cent in foreign currency terms, but only by 3 per cent to SF14.7bn (\$11.41bn), once converted.

The improvement was largely the result of a gratifying fourth-quarter performance, said the company, compensating for poor second and third quarters.

The figures, the first in the sector's 1994 reporting season, were limited to divisional sales. On profits, Roche said only that they had risen in 1994 in spite of restructuring costs. Full details are due in April.

Sales by the pharmaceuticals division, Roche's highest, rose by 10 per cent in foreign currency terms, excluding the contribution of Syntex, the Californian drugs company which it

bought in May for \$5.5bn.

Syntex was consolidated from November. Including its contribution, pharmaceutical sales rose 7 per cent to SF13.3bn. Growth was 15 per cent in foreign currency terms.

"We are seeing outperformance by 3-4 per cent from Roche, thanks partly to the performance of its (62 per cent-owned biotechnology subsidiary) Genentech," Mr Matsen Wolf, analyst at Swiss Bank in Zurich, said.

Roche's fastest growing products included Neupogen, used to help blood withstand cancer treatment, and Rofenon A, an alpha interferon used in cancer and hepatitis treatment. Roche said that Aleve, the over-the-counter version of the Syntex pain-relieving drug Naproxen, which has been marketed in a joint venture with Procter & Gamble in the US, had "developed well beyond expectation within a short time".

The company saw its fastest growth in the US, Germany, UK, Spain and Australia. It said sales in these markets were "considerably higher" than the 4-6 per cent growth by the industry as a whole.

Roche's diagnostics division sales showed no growth on a foreign currency basis, and were down 7 per cent to SF1.6bn. The company sold some businesses in 1994, such as in microbiology, and suffered from changes in US government reimbursement rules for health laboratories.

There was a "marked revival in demand" for fragrances, and the flavours business continued to grow in North America. Sales by the fragrances and flavours division rose 6 per cent to SF1.5bn and 13 per cent in foreign currency terms. Roche certificates rose SF700 to SF76.325 on the Zurich stock market. Lex, Page 12

Management shake-up at Italian bank

By Andrew Hill in Milan

Banco di Napoli, one of Italy's oldest and largest banks, has appointed two interim managing directors after its controlling shareholder insisted on a reshuffle of top management. A permanent managing director could be appointed before the summer to restore the bank's reputation and pilot it out of losses, which prompted a slump in its share price and a downgrading of its credit ratings last year.

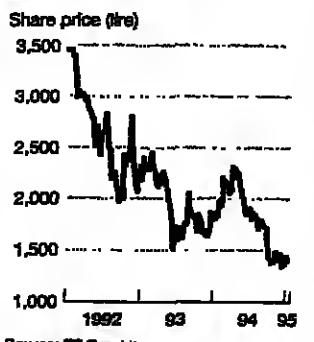
The position of Mr Pietro Giovannini and Mr Gianpaolo Vigliar, the outgoing managing directors, has been under scrutiny since last October, when Banco di Napoli unexpectedly announced a half-year deficit of L168.8bn (\$105.4m) before tax, blamed on losses on its investment portfolio and provisions against bad loans. In the

first half of 1993, the bank made a profit of L162.2bn.

On Monday, the foundation which owns just over 70 per cent of the bank issued a thinly-veiled invitation to Mr Giovannini and Mr Vigliar to step down. It said "the strongest measures" were necessary to overcome "the uncomfortable situation" within the bank's top management. A day later, Banco di Napoli said the pair had been replaced by two directors from within the bank, Mr Francesco Bombaci and Mr Antonio Sussu.

Mr Luigi Coccolini, chairman, confirmed yesterday that the bank would call an extraordinary meeting of shareholders at which a new, more flexible management structure could be adopted. This is likely to include the creation of an executive management committee, and the recreation of the post

Banco di Napoli



of "director-general".

Banco di Napoli is beginning to distance itself from its recent past when, under the controversial management of Mr Ferdinando Ventriglia, a former chairman who died last year, it was open to political

manipulation by the Christian Democrat party in the region.

In a statement released on Tuesday, the bank's board thanked Mr Giovannini and Mr Vigliar for their "sensitivity" in stepping aside. They will remain on the board. The bank said its directors "considered it extremely urgent to nominate new managing directors immediately, so as not to interrupt the continuity of Banco di Napoli's activities".

The bank has suffered in the past year from the backlash of recession in southern Italy, where some 600 of its 800 branches are located, with small and medium-sized companies defaulting on loan repayments. The Italian treasury, which is a shareholder of the bank, is also conducting an inquiry into Banco di Napoli's lending policy and foreign participations.

Générale des Eaux to bolster property unit

By John Ridding

Générale des Eaux, the French water, construction and communications group, said yesterday it would recapitalise its property subsidiary, after a sharp increase in losses at the unit last year.

Apart from the problems at the subsidiary, Compagnie Immobilière Phénix, the French utilities group outlined a relatively upbeat assessment of prospects. It said sales

would increase by about 7 per cent to more than FF165bn (\$31.26bn) this year, with strong growth in international markets.

It also confirmed that profits in 1994 would rise by between 4 and 5 per cent from the FF13.2bn achieved in 1993.

Compagnie Immobilière Phénix is estimated to have lost about FF7bn in the second six months, after a deficit of FF650m in the first half of the year. In 1993, losses there

amounted to FF158m.

Générale des Eaux said it would move urgently to reorganise and recapitalise Phénix, while guaranteeing the interests of minority shareholders. It said it had not yet decided on the timing or the size of the recapitalisation.

Industry observers said the decision to move quickly to redress Phénix reflected the arrival of Mr Jean-Marie Mesier as managing director and heir-apparent to Mr Guy

Dejouany, group chairman.

"As expected, he wants to push through a short, sharp clean up at Phénix," said one property analyst.

With respect to its other activities, Générale des Eaux emphasised the strong demand in international markets. It said sales outside France should rise by about 10 per cent to about FF15bn this year, reflecting the benefits of expansion in the US, Asian and European markets.

Peugeot considers return to US

By John Ridding

PSA Peugeot-Citroën, the French vehicles group, yesterday confirmed it was studying a return to the US market from which it withdrew in 1991. It said a decision should be made during the summer.

The company said, however, that reports of a five-year, \$4bn investment represented just one of the ideas under consideration. "That is one hypothesis, and it is at the top of the

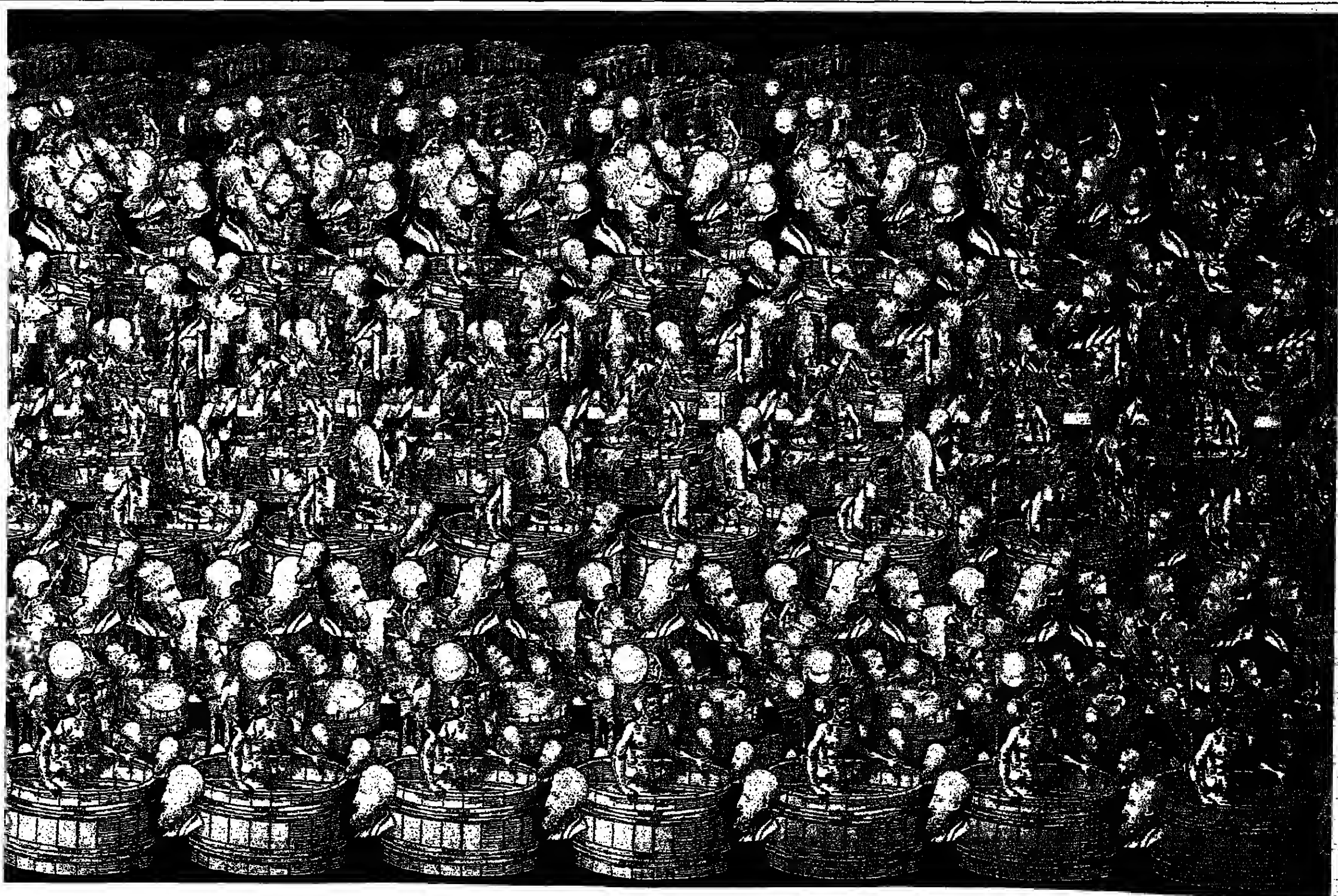
range of possible plans," an official said.

The possibility of a significant investment in the US market, however, prompted a nervous reaction among investors. Shares fell by FF18 to FF721.

Mr Jacques Calvet, Peugeot-Citroën chairman, has said that he plans to raise the non-European sales of the group from between 12 and 14 per cent at present to about 25 per cent by the end of the century. However, officials said this

did not imply a return to the US, and the goal could be achieved through further sales increases in Asia and Latin America.

Renault, the French state-owned rival of Peugeot, said it did not envisage a return to the US market. "The spot would be extremely high," the company said. "To be competitive you would need to invest in plant, a sales network and a range of specialised products for the market."



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INTERNATIONAL COMPANIES AND CAPITAL MARKETS



Volvo's plant at Gothenburg: the expansion of automotive operations will not be achieved cheaply

Volvo takes the wraps off expansion strategy

The group has ambitious plans, writes Kevin Done

Volvo is taking the wraps off its strategy for expanding its automotive operations independently, more than a year after the spectacular collapse of its planned merger with Renault, the French majority state-owned carmaker.

The moves outlined yesterday are the first steps towards expanding its successful truck operations in Europe, while providing a broader base for its car division with the development of new products outside the narrow confines of its established car business.

Volvo acted quickly last year to set the priorities for its new corporate strategy. This is centred on the plan to concentrate resources on its car and commercial vehicle operations (it will retain its aero and marine engine activities), with the divestment of most of its non-core activities.

By late 1994 it had regained control over its strategic auto operations by dissolving its alliance with Renault and removing the cross-shareholdings binding the two groups' car and commercial vehicle operations. It also began the disposal of unwanted activities with the aim of strengthening its balance sheet.

The expansion of its automotive operations will not be achieved cheaply, but Volvo's finances are improving rapidly, fuelled both by the disposal programme and, more important, by the turnaround of the automotive operations.

Not debt had been driven down from SKr14.5bn (\$1.9bn) at the end of 1993 to SKr700m at the beginning of October last year. The group's equity-to-assets ratio had risen to 30 per cent from 21 per cent. Mr Sören Gyll, chief executive, aims for a ratio of 50 per cent.

Profits are rising fast as Volvo benefits from the tough

cost-cutting programmes it was forced to implement during the recession, as well as from an upturn in its main markets and a favourable response to new car and truck products launched in the last two years.

Volvo Truck had record sales last year, with volumes climbing by 33.5 per cent to 98,500. Operating profit in the first nine months rose to SKr2.697bn from SKr1.83bn in the corresponding period a year earlier. Volvo Car increased sales volume in 1994 by 15.9 per cent to 361,500, with operating profits in the first nine months rebounding to SKr1.95bn from SKr1.0m.

The truck operations are embarking on a far-reaching expansion in Europe and Asia, with the first move aimed at expanding production capacity outside North America to 60,000 trucks a year with an investment of SKr1.7bn.

Some 42,000 trucks were produced outside North America last year. About 27,000 trucks a year are produced in the US.

The planned expansion will take place in Europe with heavy investment in the production of cabs and components - engines, gearboxes and axles - in Sweden, and the expansion of assembly capacity in four countries, Belgium (up by 4,000 to 26,000), the UK (up by 1,000 to 5,500), Poland (up by 500 to 1,500) and in Sweden (up by 2,000 to 17,000).

Also under consideration are ambitious plans for the development of a new range of trucks to allow Volvo to enter the European light truck market, as well as for the establishment of a joint venture in China with the aim of adding a production centre in Asia to its three regional truck manufacturing operations in Europe and North and South America. It

mainly to higher international prices for base metals. Partially offsetting this were the stronger Australian dollar, lower coal prices, a A\$12.9m loss at the Duisburg zinc smelter in Germany, and lower production and sales volumes of precious and base metals from Mount Isa in Queensland.

Increases in average Australian dollar prices were highest for lead, which rose 54 per cent, and copper, up 33 per cent. Silver prices were 13 per cent higher. Price declines were reported for gold, by 13 per cent, and coking coal, by 11 per cent.

The copper operations posted the strongest performance, generating a profit before tax of A\$93.7m, on sales of A\$381.4m. The company said the result was hampered by production problems at Mount Isa.

has also launched a feasibility study into establishing production in India.

Asia is Volvo's "number one priority" in the geographic expansion of its truck operations, says Mr Karl-Erik Trogen, chief executive of Volvo Truck.

Volvo is among the world leaders in the truck sector, but in the car industry it is one of the smallest producers in the mainstream industry.

Mr Per-Erik Mohlin, president of Volvo Car, has made clear that it will need a number of partnerships to replace the alliance with Renault.

The joint venture with TWR, the UK automotive engineering group controlled by Mr Tom Walkinshaw, is a first step. It will develop small volume niche products, initially a cabriolet and a coupe, from Volvo's main 850 large car chassis platform.

Volvo is strong in the "family market", says Mr Mohlin, but it must develop a strategy for broadening the customer base to gain more "pre-family" and "post-family" buyers.

"We know it is possible to develop more cars from a single platform. The trick is to utilise common components but to differentiate the products," he says.

To achieve this flexibility Volvo has chosen to join forces with Mr Walkinshaw, the entrepreneurial and technical talent behind JaguarSport (a previous Jaguar/TWR joint venture) and the Benetton grand prix team.

Volvo Car already has in place one other big alliance, namely its joint venture in the Netherlands with Mitsubishi Motors, which will provide Volvo with a replacement for its current 400 medium car range starting in 1996.

There were "specific difficulties" with the new Isamelt process, although MIM said a task force had been formed to improve the smelter's availability and performance.

Gold operations generated a pre-tax profit of A\$16m. Losses were posted by the lead-zinc group (A\$12.6m) and coal operations (A\$6.8m).

The company also announced senior executive appointments, including Mr Phil Wright, who will immediately take up the position of executive general manager of the Mount Isa operations. Mr Wright was previously responsible for the advances in the Alumina project.

Mr Peter Freund, who has been responsible for the McArthur River mine development, will become executive general manager in charge of specific development projects.

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Price rises return Boise Cascade to the black

By Laurie Morse in New York

Boise Cascade, the Idaho-based paper and forest products company, said rising paper prices boosted fourth-quarter net income to \$26.9m, or 32 cents a share, reversing a year-ago loss of \$23.7m, or 98 cents.

Sales in the quarter rose to \$1.1bn. In the same 1993 quarter sales were \$997m, which included \$73m from Rainy River Forest Products operations that were spun off in a public offering in September.

"Fourth-quarter results demonstrated the powerful earnings leverage in our paper business," said Mr George Harad, president. "Rising paper prices, which on average increased \$118 per ton, or 24 per cent, from fourth quarter to fourth quarter, drove the significant swing in our earnings per share."

For the full year, excluding extraordinary gains and losses, Boise reported a loss of \$35.6m, or \$2.37 a share, compared with a loss of \$83.6m, or \$3.34, in 1993. Sales for the year rose to \$4.1bn, from \$3.95bn a year ago.

Mr Bowater, the US papermaker, said income before special gains was \$11.1m, or 17 cents a share, compared with a 1993 fourth-quarter loss of \$19.4m, or 55 cents. Sales in the quarter rose to \$381.5m, up from \$340.4m a year ago.

For the year, Bowater posted a net loss of \$4.8m, or 59 cents, on sales of \$1.35bn, trimming a 1993 loss of \$64.5m, or \$1.84, on sales of \$1.35bn.

Greater autonomy for Jardine Pacific

Jardine Matheson Holdings yesterday appointed Mr Anthony Nightingale as chairman of its Jardine Pacific subsidiary in a move aimed at granting more autonomy to the regional trading and service company, AF-DJ reports from Hong Kong.

Traditionally, the chairman of Jardine Pacific has been the managing director of Jardine Matheson, the group said. However, in a break from tradition, Mr Nightingale will take up a director's position on the Jardine Matheson board but will not serve as its managing director.

Mr Nightingale is currently Jardine Pacific's managing director. He will be succeeded by Mr Blair Pickrell, currently a Jardine Pacific director who handles Jardine Pacific's trading and distribution division.

Mr Pickrell joined Jardine Matheson, the group's management company, in 1984 and has worked as development director of the Mandarin Oriental Hotel Group and director of Jardine Fleming.

Jardine Matheson Holdings is Hong Kong's original "house" of trading conglomerate. It is about 9.8 per cent owned by the Keswick family of the UK. At the end of last year the group delisted from the Hong Kong Stock Exchange, leaving it with a primary listing in London and secondary listings in Singapore, Australia and Luxembourg.

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Jardine Matheson Holdings is Hong Kong's original "house" of trading conglomerate. It is about 9.8 per cent owned by the Keswick family of the UK. At the end of last year the group delisted from the Hong Kong Stock Exchange, leaving it with a primary listing in London and secondary listings in Singapore, Australia and Luxembourg.

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Morocco launches first bank float

By Roula Khalaf in London

In a Moroccan TV commercial running this week, the star of a hit Moroccan movie, *In Search of My Woman's Husband*, arrives home bearing a gift for his wife. He has her guessing for a while then reveals that the gift is shares in a bank.

This is how Morocco is attracting domestic investors to the country's first bank privatisation, launched this week with the sale of most of the state's 50 per cent stake in Banque Marocaine du Commerce Extérieur (BMCE), the country's second-largest bank in terms of assets.

BMCE's privatisation is being conducted in two stages. The first issue, for 14 per cent of the capital, will raise Dhs455m (\$47.3m) at Dhs325 a share from Moroccan investors on the Casablanca bourse by

the end of this week. At the same time, the state is offering a further 26 per cent stake in BMCE to a consortium of domestic and foreign investors, who are invited to tender their bids by March 6.

A further 3 per cent of the capital will be sold to employees and the government will retain a 7 per cent stake. S.G. Warburg is acting as adviser to the government on the deal.

Morocco's privatisation programme was launched in 1993. Although its original aim was to raise \$2.2bn by the end of this year, the process, which was slow to take off, is likely to be extended until at least 1996.

BMCE, with assets of \$2.9bn in 1993 and market share of more than 14 per cent in terms of deposits, is already quoted on the Casablanca bourse and has a market capitalisation of

about \$370m, accounting for 8.5 per cent of the market's total capitalisation.

Ownership is spread among the state and other public and private financial institutions, including Banque Française du Commerce Extérieur, the specialist banking group, and Germany's Commerzbank.

Analysts have been guarded about the deal. They point out that the bank's profitability has been hampered in the past by financing of government purchases at preferential rates.

Privatisation, however, should give the bank more freedom to pursue more profitable ventures.

According to consolidated figures, the bank posted net income of \$18.5m in 1993, slightly down from a year earlier.

The structure of the BMCE deal marks a departure from earlier privatisations.

In previous deals, the government tended first to ask foreign and domestic companies to bid on a portion of the offered equity, typically 35-51 per cent.

The aim is to provide a "noyau dur", or hard core, that can bring technological know-how, management talent and stability to the enterprise.

In this case, however, BMCE's "noyau dur" will be the consortium of Moroccan companies and international banks which will bid for the whole 26 per cent stake.

At least half the stake should be held by Moroccan companies and a minimum of 5 per cent must be held by one or several foreign banks.

No change of management is envisaged and no single institution, foreign or domestic, will exercise control or even have significant influence on the bank's board.

VAR adds clarity to the risk debate

By Rod A. Beckstrom

The debate about derivatives risk which has involved regulators, legislators and market participants in recent months has proved the old maxim to be correct: "the devil is in the details".

Yet derivatives are not so complex as to defy risk measurement techniques and statistical methods used regularly in science and commerce.

DERIVATIVE INSTRUMENTS

There are signs that a method geared to measure this complexity - known as value at risk, or VAR - is winning wider acceptance from the derivatives industry and its regulators.

VAR is a method of assessing risk which uses standard statistical techniques employed routinely in many other fields, including physics, chemistry, manufacturing and computer-aided design (CAD).

Its adoption - which seems inevitable - should give the derivatives industry and its regulators an objective and an easy measure of risk.

In the past, the assessment of derivatives risk, or even of financial risk in general, has

been hampered by an absence of a universally accepted technique for measuring the loss potential within a particular transaction or across an entire portfolio.

Older means of evaluation, such as gap analysis and accounting simulations, are too imprecise to measure trends in today's fast-moving and complex financial markets, and do not meet tougher regulatory and accounting demands.

These older techniques are inadequate in two ways: first, they define instruments as mere line item entries on a balance sheet; second, they value instruments through accrual accounting techniques.

By contrast, VAR provides a more dynamic framework which looks at risk as it evolves over time, rather than providing a static snapshot of a portfolio or balance sheet.

In technical terms, VAR measures the daily statistical variance of the value of an entire portfolio. Once a manager understands the variance, or volatility, of a portfolio, it is possible to estimate the probability of different levels of gains or losses occurring.

VAR assumes that, on average, changes in the value of a portfolio are random and can be estimated largely by using

the normal probability distribution function. By employing basic statistics, the estimated standard deviation, or volatility, of the market value of the portfolio can be calculated.

VAR takes into account the portfolio's standard deviation, or volatility, a time period, and a "confidence interval". The confidence interval can be defined as the probability of avoiding a loss equal to or greater than the value of risk over the time period.

For example, a portfolio might be worth \$1bn. The value at risk of the portfolio may be \$20m overnight with a confidence interval of 5 per cent. This means that with a 5 per cent probability - or a probability of once every 20 days on average - that the portfolio's value will fall by more than \$20m. On all other days, the portfolio will increase in value or suffer a loss of less than the value at risk.

Another way of approaching VAR is to imagine pushing historical prices through a portfolio and then revaluing the portfolio each day. The daily change in the portfolio's value is then computed through time and a time series built up.

The standard deviation or volatility, of the time series is then calculated. Once the standard deviation is known, it is

easy to estimate the probability of a given loss over the next day or any other time period.

Different models from the historic simulation model described above can be used for computing VAR. However, the historic simulation approach is universal and applicable to all instruments and all market price risk factors, whether interest rate, foreign exchange, equity or commodity-based.

VAR, like other approaches to risk measurement, provides only an estimate, but one which is grounded in history and derived from superior techniques and theory.

The fact that VAR is an estimate does not lessen its value and usefulness any more than similarly informed estimates do in other areas of commerce and science. The beauty of VAR is that it can be expanded beyond portfolio risk evaluation to encompass the whole balance sheet and to measure return on risk for the operations of an entire firm.

VAR's ultimate reward lies in advancing the risk debate about derivatives down a more constructive path.

Mr Beckstrom is chief executive officer of CATS Software Inc, a supplier of software for derivatives finance, based in Palo Alto, California.

Abnormals aid MIM Holdings turnaround at interim stage

By Emilia Tegazza in Melbourne

MIM Holdings, the Australian mining group, yesterday announced a net profit of A\$43.4m (US\$31.6m) for the 24 weeks to December 11. This compares with a loss of A\$18.5m in the first six months of the previous year.

Abnormal profits totalling A\$19.3m, before tax, contributed to the result. These comprised A\$8.3m from the A\$385.5m sale of MIM's 10.8m shares in the US metals group Asarco, and A\$11m from the A\$164.2m sale of its remaining share in Cominco, the Canadian metals group.

Sales totalled A\$1.1bn, 11.3 per cent up on the year earlier A\$996m. The interim dividend was maintained at 2.5 cents.

The company said the improved result was due

mainly to higher international prices for base metals. Partially offsetting this were the stronger Australian dollar, lower coal prices, a A\$12.9m loss at the Duisburg zinc smelter in Germany, and lower production and sales volumes of precious and base metals from Mount Isa in Queensland.

Increases in average Australian dollar prices were highest for lead, which rose 54 per cent, and copper, up 33 per cent. Silver prices were 13 per cent higher. Price declines were reported for gold, by 13 per cent, and coking coal, by 11 per cent.

The copper operations posted the strongest performance, generating a profit before tax of A\$93.7m, on sales of A\$381.4m. The company said the result was hampered by production problems at Mount Isa.

There were "specific difficulties" with the new Isamelt process, although MIM said a task force had been formed to improve the smelter's availability and performance.

Gold operations generated a pre-tax profit of A\$16m. Losses were posted by the lead-zinc group (A\$12.6m) and coal operations (A\$6.8m).

The company also announced senior executive appointments, including Mr Phil Wright, who will immediately take up the position of executive general manager of the Mount Isa operations. Mr Wright was previously responsible for the advances in the Alumina project.

Mr Peter Freund, who has been responsible for the McArthur River mine development, will become executive general manager in charge of specific development projects.

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INTERNATIONAL COMPANIES AND FINANCE

Intel takes \$475m charge for Pentium flaw

By Louise Kehoe
in San Francisco

Intel, the world's largest manufacturer of semiconductors, reported record operating results for the fourth quarter, offset by a charge of \$475m, or 70 cents a share, to cover the costs of replacing flawed Pentium microprocessor chips.

Fourth-quarter net income was \$372m, or 86 cents a share after the charge, down 37 per cent from \$594m, or \$1.25, in the fourth quarter of 1993. Revenues for the quarter were \$2.3bn, up 35 per cent from \$1.7bn a year ago.

Operating results were in line with Wall Street expectations, but the charge was larger than most analysts had predicted. Intel announced last month that it would replace, upon request, Pentium chips that contained the flaw, which can create errors in division calculations.

Intel maintains that such errors are likely to occur only once in every 9bn calculations.

However, a public outcry over the problem, fuelled by an announcement from IBM that it considered the chip error more serious, forced Intel to offer to replace the chips. The offer remains in effect for the lifetime of personal computers containing the chips.

The \$475m charge covers replacement costs, materials and the write-down of the company's inventory of the flawed Pentium microprocessors.

Intel said that it believed the charge would be sufficient to

cover all associated costs. The company also announced that the flaw had been eliminated from all Pentium chips now being shipped.

The rapid transition to the corrected chip was achieved by cancelling holidays, said Mr Andrew Grove, president and chief executive.

"The Pentium processor divide problem has been a learning experience for Intel. In the end, I think it will strengthen the company by improving our policies

and infrastructure for serving customers," he said.

In spite of the negative publicity surrounding the Pentium flaw, unit shipments doubled compared with the previous quarter, Intel said.

For the full year, Intel revenues totalled \$15.5bn, up 32 per cent from \$11.7bn in 1993. Net income declined slightly to \$2.29bn from \$2.30bn for the previous year, after the fourth-quarter charge.

Earnings per share rose to \$5.24 from \$5.20 in 1993.

Recovery continues at BankAmerica

By Richard Waters
in New York

BankAmerica, the second-biggest US banking group, continued to register its steady recovery from the long recession in its home base of California as it reported 1994 results yesterday.

After-tax profits rose 11 per cent to \$2.2bn. However, the bank's return on equity, at 13.2 per cent (up from 12.9 per cent the year before), remains below that of most of the other super-regional banking groups.

Mr Richard Rosenberg, chairman, said that the bank had met its most important financial objective of the year, to bolster its earnings per share. These rose to \$5.36, from \$4.79 in 1993.

He said the next goal was to maintain this momentum while improving the bank's return on equity.

The 1994 results came on the back of a 3 per cent rise in overall revenues, to just over \$11.2bn.

Net interest revenue climbed nearly 7 per cent, to \$7.1bn, on the back of higher interest-earning assets and lower bad debt provisions. This was offset by a slight fall in the net interest margin, which in the final three months of the year was 4.53 per cent, some 10 basis points lower than a year before.

Fourth-quarter net income of \$691m, or \$1.40 a share, was up from \$496m, or \$1.21, a year ago.

Strong sales lift Tandem in first quarter

By Louise Kehoe

Tandem Computers reported an 11 per cent increase in revenues for its first fiscal quarter, ended December 31. It was lifted by strong sales to communications companies and the financial sector.

Revenues for the quarter were \$534.6m, up from \$475.6m in the first quarter of fiscal 1994. Net income rose to \$35.2m, or 30 cents a share, from \$24.9m, or 23 cents in the same period last year when it recorded a gain of \$23m, or about 20 cents a share from the sale of a business unit.

"Our product and marketing programmes have spurred three quarters of strong growth in our core server business," said Mr James Treibig, president and chief executive.

"Our computer product revenues grew 24 per cent compared with the same period last year," he said.

Sales to communications companies represented 36 per cent of Tandem's revenues, Mr Treibig said.

Massively parallel computers contributed to strong sales to financial institutions.

AMR cuts losses to \$123m in fourth term

By Richard Tomkins
in New York

AMR, parent of American Airlines, yesterday reported heavy after-tax losses of \$123m for its fourth quarter to December. It was hit by the suspension of its commuter flights in the northern US and a restructuring charge of \$278m.

However, the figure marked an improvement over the comparable period's net losses of \$253m, largely because the figures in the year-ago period

were hit by a five-day flight attendants' strike in the US that cost the airline \$150m.

AMR said the \$278m special charge, which cost \$174m after tax, related to employee severance and other restructuring activities. In August, it announced a plan to cut annual labour costs by \$750m, starting with cuts in its non-unionised management and administrative staff.

The company suffered the effects of the suspension of its American Eagle operations at

Chicago and Raleigh/Durham over the Christmas and New Year season. This happened because the airline transferred its ATR commuter aircraft south after the Federal Aviation Administration ordered they should not fly in icy weather, and the pilots of the replacement aircraft demanded extra cold-weather training.

AMR, which last October surprised analysts with an unexpectedly strong third-quarter result, said it continued to see good demand in

most markets. It flew 1.2 per cent fewer seat miles but filled them with 11.4 per cent more revenue passenger miles, producing an increase in the load factor to 65.5 per cent from 63.1 per cent.

Revenues rose to \$4bn from \$3.59bn and losses per share fell to \$1.70 from \$3.55. For the full year, net losses of \$1.01bn turned into net income of \$228m. Mr Robert Crandall, chairman, said 1994 was a much better year than 1993 but improvement was still needed.

US Nintendo files suit alleging Samsung helped video pirates

By Louise Kehoe
in San Francisco

Nintendo of America, the US arm of the leading Japanese video game manufacturer, has filed a suit alleging that Samsung, the Korean chip maker, is supplying memory chips containing Nintendo software to counterfeiters of the Donkey Kong Country video game.

Nintendo charges that hundreds of thousands of illegal copies of copyrighted video games contain Samsung components. The counterfeit games have been found in Asia, Latin America, Europe, the Middle East and the US, Nintendo said. The illegal copies often

sell at half the regular retail price.

Samsung had supplied the components to at least one of two Chinese government-affiliated video game "pirate" manufacturers, responsible for "massive counterfeiting of video games", Nintendo said.

Samsung said that it has no knowledge of any counterfeit use of its chips and that it deplores counterfeiting. It said on a previous occasion, Nintendo had brought a case of alleged pirating of video games to Samsung's attention, and Samsung immediately discontinued its relationship with its customer. If any further misuse of intellectual property is

brought to its attention, Samsung would take a similar action, the company said.

The lawsuit, filed yesterday in Seattle, seeks termination of all inventories, full information on the network and extent of illegal distribution, monitoring of future production, monetary damages, and other relief.

According to the lawsuit, Samsung illicitly manufactured the chips which contain software for the video game. The Korean company is the world leader in the supply of read-only memory chips, which are used in a wide variety of electronic equipment, including video game cartridges.

McDonnell Douglas improves 50%

By Maggie Urry in New York

Record results from military aircraft helped McDonnell Douglas, the aerospace group, which appointed a new chief executive last September, to fourth-quarter earnings of \$1.39 a share compared with \$1.31, excluding one-off items, in the same period of 1993.

For the full year, earnings were \$5.05 a share, up 50 per cent from \$3.37 in 1993. Net earnings for the fourth quarter were \$165m, compared with \$143m in 1993, and for the year totalled \$598m, up from \$396m.

Strong cash flow also enabled a reduction in debt in the aerospace operations to

\$1.27bn at December 31, 1994, from \$1.63bn at the end of 1993, even after a \$86m share buy-back and a \$165m additional tax payment. Group interest charges for 1994 were \$141m, down from \$224m in 1993.

The group's firm order book declined over the year to \$17.5bn from \$19.4bn as demand for commercial aircraft remained soft worldwide.

In the fourth quarter the military aircraft division made operating earnings of \$207m, up from \$180m.

The commercial aircraft division continued profitable in spite of lower deliveries in 1994, in part thanks to reduced development costs.

This division's earnings were \$12m, up from \$2m in the same quarter, although revenues fell 39 per cent to \$900m.

However, earnings from the other two divisions were lower. The missiles, space and electronic systems business made fourth-quarter earnings of \$96m, down from \$78m. Financial services earnings were \$7m, compared with \$22m in the quarter.

The group has recovered from losses in 1990 but still ranks third in commercial aircraft, after Boeing and Airbus Industrie, while military sales were thought to be under threat from cuts in defence spending.

Union Pacific lifts Santa Fe bid

By Richard Tomkins

The bid battle for Santa Fe Pacific, one of the biggest US railway companies, reached what could turn out to be its climax when Union Pacific, one of the two rival bidders for the company, again raised its offer.

Union Pacific said it would increase its offer price to \$18.50 in cash for all of Santa Fe's shares, valuing the company at \$3.6bn. The shares would be put into a voting trust pending the authorities' consideration and approval of the bid.

The offer represents a con-

siderable improvement over Union Pacific's last offer. This was a two-part bid consisting of \$17.50 a share in cash for 57 per cent of Santa Fe's stock, and the balance in a stock swap, valuing the company at about \$3.6bn.

It could also prove more tempting to Santa Fe's shareholders than the most recent offer from Burlington Northern. This put a higher value on Santa Fe - about \$3.8bn - but shareholders would get only one-third of the sum in cash.

They would also have to await regulatory authority approval of the bid before they could exchange the other two-thirds of their shares for Burlington stock.

Santa Fe first agreed to a friendly merger with Burlington to June in a deal worth \$2.7bn, but a bid battle broke out when Union Pacific countered with a hostile offer.

Santa Fe yesterday reported net income of \$46.3m on continuing operations for its fourth quarter to December, down from \$53.1m in the comparable period. Traffic revenues were up but the company said it had spent \$13.7m, pre-tax, on its struggle to merge with Burlington Northern.

Earnings at US West advance 55% to \$409m

By Tony Jackson
in New York

US West opened the full-year results from the Baby Bell regional phone companies with a 55 per cent jump in net earnings to \$409m in the final quarter, helped by the flotation of TeleWest, its UK joint venture.

Excluding \$105m on the share sale and other one-off profits, quarterly earnings were up 6 per cent at \$34m.

Earnings per share were unchanged at \$2 cents.

For the year as a whole, sales were up 6 per cent at \$10.95bn and net income up 9 per cent (excluding exceptional) at \$1.23bn.

Earnings per share, depressed by the issue of new shares, were down 0.4 per cent at \$2.72.

In the company's traditional telephone business in the mid-western US, earnings for the year were up 10 per cent at \$1.12bn on sales up 4 per cent at \$9bn.

The number of access lines rose by a record 4 per cent, and total minutes of use rose 9 per cent.

In wireless telephony in the US, the company increased its number of subscribers by 61 per cent to 968,000.

Last year, US West merged its cellular business into a joint venture with AirTouch of California, and formed a further cellular alliance with fellow Baby Bells Nynex and Bell Atlantic.

Subscribers to US West's international cellular joint ventures in the UK, Hungary, the Czech Republic, Slovakia and Russia almost tripled over the year to 387,000.

The UK mobile phone venture with Cable & Wireless, Mercury One-2-One, "continues to exceed customer growth expectations", the company said.

TeleWest, the UK joint venture in combined cable and telephony, increased the number of cable subscribers by 42 per cent to 320,000 and its telephone lines by 94 per cent to 271,000.

US West's partner is Telecommunications Inc (TCI), the largest US cable company.

NEWS DIGEST

Israel clears way for sell-off of chemicals group

Israel yesterday cleared the way for the sale of Israel Chemicals, the highly profitable state-owned chemical and fertiliser company, writes Julian O'Connell in Jerusalem.

It added that it was extending bids for a controlling stake in the company, originally due to close today, to early February.

The move follows reports that Mr Victor Medina, chairman of Israel Chemicals who has been pressing the government for a speedy privatisation, plans to announce his resignation today because of delays in selling the company and after long-running disagreements over government policy.

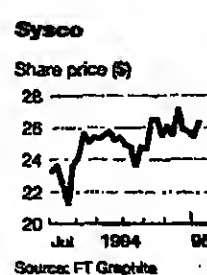
Mr Medina's threat may have encouraged the government to tackle legislative obstacles to privatisation, which centred on the exemption of the Dead Sea Works, a subsidiary of the company, from environmental and planning regulations around the Dead Sea. The government said yesterday it had worked out a compromise under which Dead Sea Works will only have to abide by some of the regulations.

The extension of the bid deadline for 15 per cent to 24.9 per cent of the company, was partly to allow management to complete wage negotiations.

At least five groups are competing to buy a controlling stake in the company including GAF Corp of US; Koor Industries; Israel Corp. owned by Mr Shaul Eisenberg, and US entrepreneur Mr Ted Aronson.

After the private placement of the controlling stake the government will sell a further 22 to 32 per cent by global public offering bringing the government's stake down from 75 per cent to its goal of 28 per cent. The government is expected to raise \$1.3bn from the two sales.

Sysco profits advance 14% in second quarter



Sysco, the highest US food service company, yesterday reported a 14 per cent increase in net income to \$63.5m in its second quarter to December, writes Richard Tomkins. Sales surged by 13 per cent to \$3bn and earnings per share rose 17 per cent to 35 cents. Sysco distributes food to restaurants, hotels, schools and other places where people eat away from home.

Efficiencies in procurement and distribution resulting from its size have enabled it to take a greater share of an expanding market, producing 18 uninterrupted years of growth in earnings per share.

Mr Bill Lindig, the company's recently-appointed chief executive, said that after excluding the modest effects of food price inflation of 1.5 per cent for the quarter, real growth in sales exceeded 11 per cent. The gains were broad-based across the US, he said.

Mr Lindig was also optimistic about the outlook for the second half of its fiscal year.

Dresdner Bank of Germany is stepping up its presence in south-east Asia by opening up two representative offices in Vietnam, writes Judy Dempsey in Bonn.

Dresdner Bank to open two Vietnam offices

The offices, in Hanoi and Ho Chi Minh city, will be targeted at the growing number of German enterprises seeking contracts, particularly in infrastructure projects, as well as enabling the bank to tap into the local economy.

The move coincides with, but is independent from, a recent agreement between Hanoi and Bonn to resume export credit guarantees and a development aid programme.

Both were suspended after Hanoi refused for several years to take back the 40,000 or so Vietnamese refugees living in Germany.

Dresdner has branches in Beijing and Shanghai, and has branches or representative offices in 13 countries in south-east Asia.

The bank said yesterday that Dresdner could not afford to ignore the changes taking place in Vietnam which offered great opportunities.

Travelers ahead at \$1.3bn for year

Travelers, the US financial services group created at the end of 1993 when Primerica bought the outstanding shares of the Travelers insurance company it did not already own, reported

after-tax profits for last year of \$1.3bn on revenues of \$18.5m, writes Richard Waters. This compares with net income for 1993 of \$918m on revenues of \$6.8bn.

However, the earlier year's figures do not consolidate all of the old Travelers business, and only include the Shearson retail broking business from when it was acquired by Travelers five months before the year-end.

Travelers' latest results reflect the difficult earnings environment for stockbrokers last year. Smith Barney, its broking subsidiary, saw its earnings halve in the latest quarter, to \$72m, on lower commissions and investment banking revenues (full-year comparisons for Smith Barney were not meaningful because of the Shearson purchase).

The latest figures were struck after an \$87.8m charge to cover losses in Travelers' investment portfolio. This was exactly matched by \$87.8m gains from the sale of various subsidiaries.

For the fourth quarter, earnings per share were 99 cents, down from \$1.19 in the year-ago period, reflecting the higher number of shares in issue to pay for the Travelers acquisition. Full-year earnings per share were \$3.86, up from \$3.74.

ING buys 5% stake in Krakow-based bank

International Nederlanden Bank (ING) has bought a 5.5 per cent stake in Krakow-based Bank Przemyslowo Handlowy (BPH) which is being privatised, writes Christopher Bobinski in Warsaw. The Dutch bank already has a 28.5 per cent share in Poland's Bank Slaski.

The purchase, worth \$16m, was made through an initial public offer which closed last week and which also saw the Bank Slaski buying a 4.8 per cent share in BPH.

Another 2.5 per cent of BPH stock was taken up by the listed Wolkopolski Bank Kredytowy (WBK) in which the Allied Irish Bank Group has said it intended to take a strategic stake. All three of the Polish banks involved are among the country's largest and were bled off from the central bank in 1998.

The banks' share purchases helped salvage the offer which appears to have attracted scant interest from domestic investors.

However, a promise by the European Bank for Reconstruction and Development to buy 15 per cent of the equity and Dwa Europe arranging for four investment funds to take up a further 4.9 per cent has meant the government has succeeded in placing the 50.2 per cent of the BPH shares put on sale.

BP to sell US-based Carborundum unit

British Petroleum is selling its US-based Carborundum subsidiary, part of BP Chemicals. The company, which has worldwide sales of \$340m and 3,500 employees, claims to be a market leader in heat-resistant materials such as refractory furnace linings, writes Tony Jackson.

Mr Luiz Kahl, Carborundum chief executive, is working on a management buy-out and has stepped down from the company to avoid a conflict of interest. BP said it had received several other offers, and expected to announce the successful bidder in early February.

BP said it had decided to sell Carborundum last September after conducting a study to determine its value and to review the alternatives of flotation or retention. No indication of bid values was given.

Commercial Union gives Victoire price

Commercial Union, the UK's largest insurance company, yesterday announced a final price of FF11.9bn (\$2.2bn) for Victoire, the French insurance company it acquired last year, writes Andrew Jack.

The payment is lower than the FF12.5bn originally indicated last October, reflecting the deteriorating performance of the financial markets, to which the final valuation was pegged.

The price covers CU's acquisition of the 99.45 per cent of the shares in Victoire, now known as Commercial Union France, which were held by Compagnie de Suez.

CU will make a public offer for the remaining 0.54 per cent of the Victoire shares held by other shareholders in the next few days following approval of the price by the COB, the French markets watchdog.

This is expected to be about FF875, reflecting the price paid to Suez and interest charge on the shares since the time of the acquisition.

CU said the final price for Victoire reflected poorer financial performance in the value of net assets for the six months to June 30 last year, partly offset by slightly higher than expected profits for the period.

U.S. \$100,000,000

Lorrho Finance Public Limited Company
(Incorporated with limited liability in England and Wales with registered number 1788274)

Floating Rate Notes due 1997
Unconditionally and irrevocably guaranteed by

Lorrho Public Limited Company
(Incorporated with limited liability in England and Wales with registered number 8022)

Notice is hereby given that for the three months interest period from January 19, 1995 to April 18, 1995 the Notes will carry an interest rate of 7.4375% per annum. The interest payable on the relevant interest payment date, April 19, 1995 will be U.S. \$185.94 and U.S. \$1,859.38 respectively for Notes in denominations of U.S. \$10,000 and U.S. \$100,000.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

January 19, 1995

A\$92,000,000

State Bank of New South Wales Limited

Medium Term Notes due July 17, 1997
Series No: 2

Guaranteed by

The Government of the State of New South Wales

Notice is hereby given that for the interest period from January 19, 1995 to July 19, 1995 (181 days) the Notes will carry an interest rate of 8.64318% per annum. The interest payable on the relevant interest payment date, July 19, 1995 will be A\$444.62 per A\$10,000 Note, A\$2,223.08 per A\$50,000 Note and A\$22,230.77 per A\$500,000 Note.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

January 19, 1995

LEGAL NOTICES

Pennine Life Limited
(Company No. 2001449)

Registered in England & Wales
Financial Centre of Business
Unit 2, Goldsmith Industrial Estate
Goldsmiths, Rotherham, S63 9BL

NOTICE IS HEREBY GIVEN, pursuant to section 62(2) of the Insolvency Act 1986, that a meeting of the creditors of the above-named company will be held at Quaker Meeting House, 26, Jackson Street, Sheffield S1 2JW on 24 January 1995 at 11.00am. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(1) they have delivered to us at the address shown below, by no later than noon on 23 January 1995, written details of the debt they claim to be due from them to the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(2) they have been lodged with us any copy which the creditor intends to be used on his or her behalf.

21 St James Place, M1 2JW, Agent Administrators
Receivers, Creditors & Liquidators, 1 East Parade,
Sheffield S1 2ET.
13 January 1995.

Wells Fargo & Company
US\$100,000,000
Floating rate subordinated
notes due July 1997

The notes will bear interest at 6.4375% per annum for the interest period 19 January 1995 to 19 April 1995.

Interest payable on 19 April 1995 will amount to US\$160.94 per US\$10,000 note and US\$904.69 per US\$50,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

U.S. \$300,000,000

Crédit Lyonnais

Subordinated Floating Rate Notes Due 2000

Interest Rate 6.6875% per annum

Interest Period 19th January 1995 to 19th July 1995

Interest Amount per U.S. \$10,000 Note due 19th July 1995 U.S. \$336.23

CS FIRST BOSTON
Agent

Den norske Bank
(Formerly Bergen Bank A/S)
(Incorporated in the Kingdom of Norway with limited liability)

U.S. \$75,000,000
Floating Rate Notes Due 1997
(with the right to subordinate)

Notice is hereby given that the interest payable on the relevant interest payment date, February 16, 1995 for the period August 16, 1994 to February 16, 1995 against Coupon No. 19 in respect of U.S. \$5,000 nominal of the Notes will be U.S. \$187.63 and in respect of U.S. \$250,000 nominal of the Notes will be U.S. \$7,811.50.

January 19, 1995, London
By: Citicorp, N.A. (Bank Services) Agent Bank

CITIBANK

Bank of Greece
(Incorporated with limited liability in the Hellenic Republic)

ECU 200,000,000
Floating Rate Notes Due 1997

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 18th April 1995, has been fixed at 7.1875% per annum. The interest accruing for such three month period will be ECU 179.69 per ECU 10,000 and ECU 1,796.89 per ECU 100,000 Bearer Note, on 18th April, 1995, against presentation of Coupon No. 12.

Union Bank of Switzerland
London Branch Agent Bank
16th January, 1995

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COMPANY NEWS: UK

Stock Exchange says disclosure standards may need to be changed

SBC cleared of rules breach

By David Wighton

The London Stock Exchange yesterday cleared Swiss Bank Corporation, adviser to Trafalgar House, of any breach of its rules in controversial derivatives dealings ahead of Trafalgar's £1.2bn (\$1.87bn) bid for Northern Electric, the regional power distributor.

However, the exchange said some rule changes might be required to cope with the increasing use of derivatives in London.

The Northern camp attacked the exchange's statement last night. One adviser said: "The Stock Exchange appears to have taken a very narrow view of the issues."

The exchange would not comment on whether it had sent details of the case to the

Department of Trade and Industry, the prosecuting authority for breaches of the insider dealing regulations.

Mr Rodolfo Boggi, SBC's London chief executive, said last night that he had not been notified and had no reason to believe that details had been passed to the DTI.

The investigation stemmed from controversial derivatives contracts struck between Swiss Bank and Trafalgar ahead of the Northern bid. These "contracts for differences" will yield Trafalgar an \$8m profit, thanks to the subsequent rise in the Northern share price, without it having to buy Northern shares itself.

After accepting the contracts, Swiss Bank increased its stakes in Northern to 2.46 per cent and in Yorkshire Elec-

tricity to 8.2 per cent. But it did not reveal them, on the grounds that they were market making positions and so exempt from disclosure requirements.

Leading City institutions have called for a review of the rules governing the disclosure of share stakes held by market makers, because the definition of market making seems so wide.

The statement said: "The exchange intends to consult member firms and other parties as to whether further rules need to be introduced concerning the impact of the use of derivatives or derivative-related products on the London Stock Exchange's equity markets. In particular, it will be examining whether additional disclosures need to be made in

the public interest."

It added: "On the basis of the review of the information available to date, the exchange is satisfied that there are no reasonable grounds for action within its own area of regulatory responsibility in respect of any of the above-mentioned dealings."

The Securities and Futures Authority said it was continuing its inquiries into Swiss Bank's Chinese walls - which separate its corporate finance and market-making arms.

Swiss Bank said: "We are grateful to the exchange for the speedy and unusual step of issuing a statement on a matter on which misinformation might otherwise have precluded the orderly conduct of legitimate financial and trading activities."

First Leisure dances to £37.5m

By David Blackwell

Almost 7m dancers filed into First Leisure's discotheques last year, helping to boost profits by more than 22 per cent.

The group, which has interests in 10-pin bowling, tourist attractions and bingo, also announced that Mr Michael Grade, chief executive of Channel 4, is to become its non-executive chairman. Lord Rayne, 76, one of the founders of the group and chairman since 1992, is to retire on March 14.

Pre-tax profits in the year to October 31 were £37.5m, (£58m) including £1.5m from asset disposals, on total turnover of £141.8m. The discotheque division was the biggest contributor, with operating profits 23 per cent ahead at £17.3m on sales up 13 per cent to £50.1m. In the previous year, group profits were £30.7m on sales of £121.8m.

The group, which has 36 discotheques, is UK market leader, Mr John Conlan, chief executive, claims.

Operating profits from resorts rose from £11m to £12.9m on sales of £45.7m (£41.9m).

The sports division's operating profits fell from £13.7m to £11.2m, although sales grew from £32.1m to £36.2m.

The group sees health and fitness as a key area for expansion, along with bingo. The bingo division's turnover tripled to £9.8m, giving operating profits of £2.5m (£900,000).

COMMENT

First Leisure is in a strong position to expand, with gearing at just 16 per cent and interest cover of 16 times. Forecast profits of £41m and earnings of 18p for this year give a prospective multiple of almost 16, which looks high. However, the real benefits of the latest plans are unlikely to come through strongly for three or four years - so investors who accept that the targeted areas are ripe for growth should not be too hidebound by this year's numbers.

LEX COMMENTS

Derivative loophole

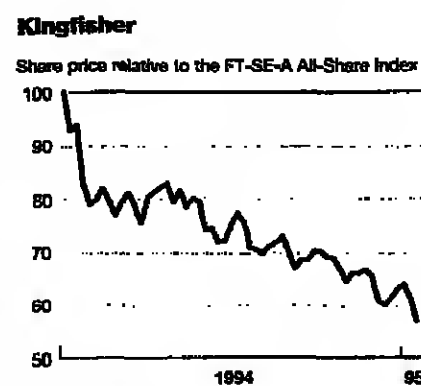
The London Stock Exchange yesterday produced a confusing statement about Swiss Bank Corporation's controversial dealings in electricity securities. The exchange's statement clearing SBC of breaching rules for which it has responsibility addresses only part of the controversy. Few thought the rules requiring disclosure of stakes of over 3 per cent had been broken. Market-maker privileges exempted SBC from revealing its 8 per cent stake in Yorkshire Electricity. It is some comfort that the exchange will now review this exemption, though investors will not be satisfied until the rules are actually changed.

The bigger question is whether SBC breached insider dealing rules in signing an innovative derivatives contract with Trafalgar House prior to its Northern Electric bid. SBC claims its corporate finance arm, which signed the contract, did not encourage its market-making arm to buy electricity shares to hedge the bank's position. That may be so, but the matter clearly needs thorough investigation. If there was no wrongdoing, the loophole SBC has found must be closed. Otherwise, any company possessing price-sensitive information about its own plans could profit from it by signing derivatives contracts with its corporate advisers which could then offload the risk. The exchange may not be responsible for prosecuting insider dealing, but it will have let investors down if it has not passed its SBC file to the Department of Trade and Industry. Yesterday's statement provides no guarantee that it has.

Kingfisher

Those who hoped that yesterday's trading statement from Kingfisher would be a foul-up free zone were disappointed. The plimmers of good news at Darty, B & Q and Superdrug were as nothing compared to the dire developments at Comet and Woolworths.

Comet's fall into losses and the predicted one-third drop in Woolworths' profits provide



Source: FT Omnia

uncomfortable evidence that Kingfisher is not rising to the operating and strategic challenges faced by these core businesses. They are being ripped apart by competition on all sides, and the management does not appear able to put things right. Nowhere is that more evident than at Woolworths, which stumbled in Christmas 1994 and fell flat on its face again this time round. The latest problem is not overstocking, but malfunctioning computer systems, poor product mix and rising overheads: a combination which seems to owe as much to management as to teething problems with computers. The likely £150m provisions to cover restructuring and expansion at B&Q may be an attempt to wipe the slate clean leaving room for the financial record to improve from next year.

The sharp drop in the share price yesterday, after a year in which Kingfisher was the worst performing FT-SE 100 index constituent, shows investors in an unforgiving frame of mind. A change of sentiment is unlikely before the group unveils details of accelerated restructuring plans for Comet and Woolworths in March. Even then, the management may not quickly be given the benefit of the doubt.

Photo-Me slips 4% to £10m

By Peter Pearce

Shares in Photo-Me International tumbled 25p to 234p yesterday as the world's largest photo-booth manufacturer and operator announced a 4 per cent profit decline in the six months to October 31.

Mr David Miller, group managing director, said: "I confidently expect the second half to be better than last year's", although he drew attention to competition in the market.

He described the profits fall - by £430,000 to £10m (£15.6m) pre-tax - to a three-month hiatus in the installation of the

new PhotoVision machines, which are replacing the old PMI models. After last January's merger with KIS of France, a photo-booth manufacturer, PMI had expected to have 400 or more installed in the half, but technical improvements required by PMI and software problems halted the replacement programme.

Other reasons for the expected second-half improvement included merger benefits and price increases.

A loss-making company in New Zealand was sold and there were two other subsidiaries "in intensive care" to be

dealt with. Turnover to the half rose 6 per cent to £96.3m. Operating revenues from worldwide operations and manufacturing sales of about £23m - mainly generated by KIS - rose by similar proportions.

Almost £100m of the group's annual sales come from three markets - the UK, continental Europe and Japan.

Mr Miller was keen to exploit the expected growing demand for "need" pictures in former eastern bloc countries. "For example, they are now citizens of Georgia, not the USSR, and documents will have to be changed."

NEWS DIGEST

breaking its record for a single day's trading.

The company, which floated in May, said that strong sales had continued since the July mid-term stage. Up to the start of the Christmas period sales were 35 per cent ahead of last year. In December sales were 17 per cent ahead and margins were maintained.

With the contribution from its 24 recently introduced concessions in department stores, total turnover for the five months was 30.4 per cent ahead. The shares yesterday gained 5p to 185p. The flotation price was 185p.

Salvesen expands

Christian Salvesen, the distribution and specialist hire company, has acquired a 40 per cent stake in Wohlfarth Group, a Lep subsidiary which provides logistics services to German industry.

Salvesen's initial investment is DM5m (£3.2m) and it has an option to increase its holding to 100 per cent between 1996 and 2001.

Depending on when the option is exercised the total consideration, including shareholder loan redemption, will be between DM11.5m and DM16m.

The stake will be held through Wohlfarth Swift Holding, a new company in which the senior management and

employees of Wohlfarth will have a 20 per cent interest and Candover Investments and various funds managed by the Candover Group will hold 40 per cent.

Wohlfarth made pre-tax profits of £1.7m on turnover of £55.5m in 1993.

Cobham disposal

Cobham has sold Markhorst Group, its loss-making Dutch subsidiary, for £1.5m (\$2m).

The sale of the pulp processing machinery manufacturer, which supplied the food and packaging industries, means Cobham will take an exceptional charge of £1.7m in its 1994 results, to which will be added goodwill of £1.3m previously written off.

GPG disposal

Guinness Peat Group, the UK investment vehicle of Sir Ron Brierley, the New Zealand entrepreneur, has disposed of First Medical Corporation (MediAid).

The New Zealand-based medical insurance company has been sold to Aetna Health for NZ\$11m (\$5.7m). The proceeds will be used for working capital.

MediAid incurred a net loss of NZ\$298,000 on net assets of NZ\$29.9m in the year to May 31 1994.

Copyright buys rest of Dutch arm

Copyright Promotions Group, which came to the market in August, is acquiring the remaining 50 per cent stake in European Licensing Group, its loss-making European licensing joint venture.

Copyright, best known for handling the marketing rights to cartoon characters such as the Flintstones, Mr Men and Thunderbirds, also reported a fall in pre-tax profits to £305,000 (£475,800) against £443,000 for the six months to October 31.

ELG, based in Amsterdam, is jointly owned by Agentur für Urhebernebenrechte Mercheo (MM), part of Kirch Gruppe, the German media and publishing group. Following completion, ELG headquarters will be moved to Copyright's London office.

Copyright is paying a nominal £1 for the stake and MM has agreed to assign £16.11m (£3.56m) owed by ELG to MM. Copyright for another guild, MM has agreed, subject to certain terms, to pay ELG £1,695,000 in cash in connection with its exit from the joint venture.

SelecTV falls but sees growth

SelecTV, the independent television production company, reported pre-tax profits down from £614,000 to £517,000 (£897,000) for the six months to September 30.

The USM-quoted company, whose programmes include Birds of a Feather and Lovejoy, both broadcast on BBC, said production activities continued at a high level however deliveries would not take place until the second half.

The many awards for Tracey Ullman Takes on New York had prompted Home Box Office, the US cable channel, to order a series to be produced later this year.

SelecTV said its 15 per cent stake in Meridian Broadcasting, the independent television contractor for the south and south east of England, continued to make progress and would be helped by the improving economy.

Hamleys trading

Hamleys, the toyshop, said yesterday that strong Christmas trading had culminated in its store in Regent Street, London,

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The Interest Amount payable on the relevant Interest Payment Date, July 19, 1995 will be US\$ 345.66 per US\$ 10,000 principal amount of Depositary Receipt and US\$ 8,841.49 per US\$ 250,000 principal amount of Depositary Receipt.



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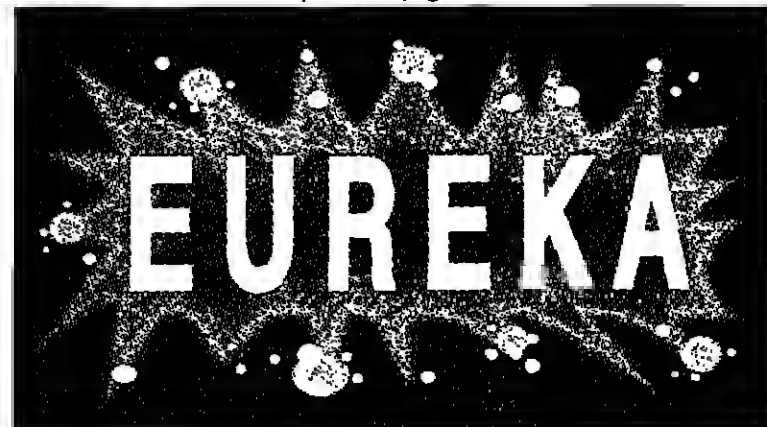
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at 22:00h			
0000	24.54	9.50	11.50
0100	28.25	20.00	30.80
0200	28.15	20.00	31.80
0300	28.75	20.00	31.80
0400	28.25	20.00	30.80
0500	28.25	20.00	30.80
0600	28.25	20.00	30.80
0700	28.25	20.00	30.80
0800	28.25	20.00	30.80
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2300	28.25	20.00	30.80
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"Eureka". The solution to the puzzle on page 14.



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Alaska Housing Finance Corporation

U.S. \$125,000,000
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Agent Bank
Bank of America International Limited

19th January, 1995.

The Financial Times plans to publish a survey on

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on Thursday, February 9th

The Survey will review the Taxation System worldwide and examine the challenges it will face in 1995 and the implications for the international business community. The Survey will reach an estimated international readership of 1 million.

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FT Surveys

COMPANY NEWS: UK

Blenheim hit by US and French trading

By Geoff Dyer

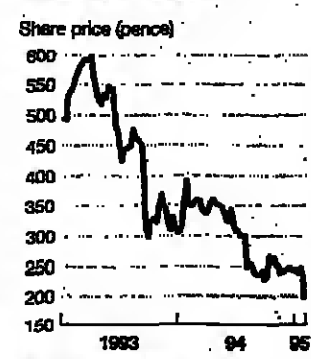
Shares in Blenheim Group fell 15 per cent yesterday after the exhibition organiser announced a \$4m restructuring charge and warned of difficult trading conditions in France and strong competition in the US. The shares initially dropped 5p to 175p, but later firmed to 180p, down 35p on the day. They are now a third of their March 1993 price.

The announcement followed a profit warning in September and two separate downgrades by house broker Barclays de Zoete Wedd in 1993.

Pre-tax profits for 1994 are believed to be just above £20m, against £45.2m previously. Analysts had been expecting between £20.5m and £28m.

Mr Christopher Crowcroft, finance director, said the French operation, which contributes more than 40 per cent of turnover, would not recover until 1996.

Blenheim Group



Source: FT Graphite

unwieldy and unresponsive". A restructuring charge of £750,000 will be taken this year, although details have not been finalised. Revenues from networking technology exhibitions in Dallas and Boston were also sharply lower. The main factor was the withdrawal of sponsorship by Novell, the leading supplier of software for computer networks.

Mr Crowcroft said the dividend would be maintained for 1994. In 1993 a total of 10.25p was paid.

COMMENT

BZW has reduced its forecast for 1995 pre-tax profits from £40m to £34m, at a prospective p/e of 11. Blenheim hopes it has now put a floor under its price. But these additional worries will in fact create a ceiling until the market is confident all the bad news is out of the way.

Comet and Woolworths curb Kingfisher

Roderick Oram on why analysts have downgraded profit forecasts for the retailer

The Christmas Eve clamour at Woolworths' Berwick-upon-Tweed store would have reassured any wavering retailer that Christmas had come at last, albeit very late.

"The manager was stripped to the waist, hauling stuff out of the stock room and customers were queuing 10 deep at the counters," recalls Mr Alan Smith, chief executive of Kingfisher, Woolworths' parent.

"When you get it right, the power of that 800-store chain is amazing. But we've got to hit the button more often."

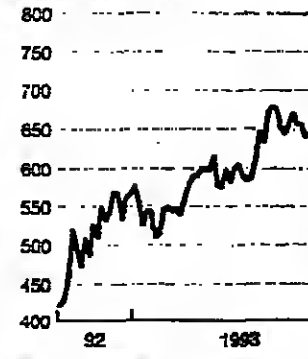
That is easier said than done, analysts suggested yesterday as they sharply downgraded profit forecasts to about £280m for the year to January 31 against £305m last year. One analyst was downgrading Kingfisher's profits for the fourth time in 12 months. Its shares fell 15p to 402p.

In addition to poor trading at Woolworths and at Comet, the electrical retailer, Kingfisher said it might take a year-end charge of up to £100m to rationalise and reposition the two chains.

"The catalogue of excuses for Woolworths' performance doesn't add up to a full explanation," said Mr John Richards of NatWest Securities. "The stock market has taken a long time to realise Kingfisher is in too many mature businesses in too many mature markets," adds Mr Nick Bubb of Morgan Stanley. "Management has spoken plausibly about strategy before, but that is no substitute for effective operational tactics, and their

Kingfisher

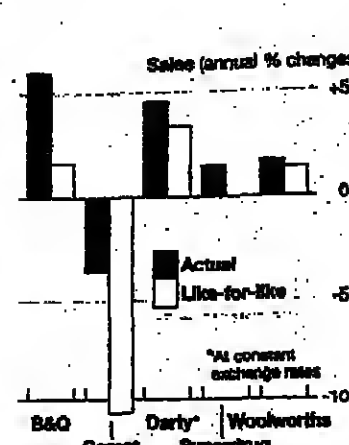
Share price (pence)



Source: FT Graphite



Sir Geoffrey Mulcahy



systems skills are below average."

The problems showed up vividly at Woolworths and Comet in the latest figures. Comet's fell a dramatic 10.6 per

cent in the 23 weeks to January 7 on a like-for-like basis (excluding new stores). Woolworths were ahead by 1.8 per cent, but operating difficulties left trading profits lower.

Comet is suffering from intensifying competition thanks to the electrical sector's rapid expansion of selling space. Its customers know it as a discount, yet for part of old policy. Meanwhile, customers were confused and sales volumes fell, according to one analyst.

how to get back into personal computer retailing, a notoriously volatile and slim-profit business. Its rival Dixons, has long experience in the field, which it has focused in its PC

World chain. Overall, though, Comet is burdened with too many first generation out-of-town stores, which now look poorly sited or in need of refurbishment. Closure is the only option for some, and analysts expect Kingfisher to accelerate that programme. Up to 50 of the 800-plus chain might be axed, some estimate.

'Selling low-ticket items in the high street is potentially disastrous unless you can add value or fashion'

Austria's Stega drops listing plan

By Tim Burt

Stega Pharmaceuticals, the Austrian biotechnology company, has abandoned plans for a London listing after failing to win sufficient financial backing to develop a "revolutionary" new vaccine.

Proceeds from the float had been earmarked for clinical trials of its cytokine-releasing agent, designed to treat herpes and chronic skin disorders by

stimulating the immune system.

Although Stega said preliminary tests had shown that its vaccine was 10 times more effective than existing immune system stimulants, its findings were greeted with scepticism by pharmaceutical experts. Their reservations may have deterred financial institutions from supporting the listing.

The company said it had withdrawn the offer of 1.6m

shares at 400p after a number of institutions, particularly in mainland Europe, responded coolly to its claims. Had it gone ahead, the issue would have valued Stega at £14.4m (£22.5m) and raised £5.7m to invest in clinical trials. But it failed to raise the £5.5m minimum needed to proceed.

Stega is expected to seek private capital to fund further development of its cytokine agent, known as Cravac.

Hammerson sells property in Calgary

By Simon London, Property Correspondent

Hammerson, the property company headed by Mr Ron Spinyne, yesterday completed its sixth substantial deal since last summer, selling more than 1m sq ft of offices in Calgary, Alberta.

Hammerson will receive C\$136.5m (US\$97m) from Omers Realty Corporation, the property arm of the province of Ontario pension scheme, for the four office blocks and retail space which make up the Bow Valley Square development.

Bow Valley Square was built by Hammerson between 1989 and 1991, when Cal-

gary's economy was boosted by the oil industry. However, the end of the regional oil boom in the 1980s resulted in a fall in demand for office space.

Although the 1.3m sq ft of offices are 85 per cent let, rents are far below those achieved during the late 1970s.

Hammerson said the deal had been struck close to the valuation at December 30 1993. While this year's valuation is being finalised, Hammerson does not expect a big profit or loss on the disposal.

Mr Spinyne, the chief executive, said that the deal was consistent with the strategy of increasing the retail content of Hammerson's North American property

portfolio. In July, the company paid £70m for two large shopping centres in Ontario. Including this acquisition, Hammerson has spent £225m on acquisitions - including option commitments - and sold buildings worth £312m in the past six months.

Capital Properties Partnership, a joint venture between Capital & Regional Properties and Real Ventures Property Partnership, is buying 31 properties from Norwich Union, the insurance company, for £25.3m. The sale of the mixed office and retail portfolio is part of Norwich Union's restructuring of its property portfolio. The proceeds would be reinvested in property, it said.

RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends (p)	Dividend cover	Dividend yield (%)
Bentley Systems	5 mths to Nov 30	28.1 (27.1)	2.38 (1.43)	12.34 (10.8)	Feb 24	2.56	4.9	4.2
Colson	5 mths to Oct 30	28.1 (27.1)	0.58 (1.26)	1.26 (0.5)	Mar 15	2.5	2.5	2.5
Copyright Clearance	5 mths to Oct 31	2.57 (2.2)	305 (443)	2.01 (2.02)	-	-	-	-
First Leisure	Yr to Oct 31	141.8 (121.8)	37.5 (30.7)	16.59 (14.08)	Apr 6	4.53	7.02	8.88
London Citywide	Yr to Sept 30	25.5 (21.2)	1.41 (0.74)	8.5 (5.2)	Feb 28	5	5.3	4.8
Lincolnshire Bank	Yr to Oct 25	32.4 (27.7)	8.27 (4.54)	7.8 (5.9)	Mar 23	3.57	4.1	4.8
Lockers	Yr to Sept 30	396.7 (353.1)	7 (5.0)	18 (12.3)	Apr 26	4.5	7.6	4.8
Photo-Me Int'l	5 mths to Oct 31	88.3 (81)	10 (10.4)	8.82 (8.4)	Apr 7	1.5	1.5	4.3
RCD	Yr to Sept 30	47.4 (48.8)	4.41 (4.77)	27.47 (26.87)	11.05	Apr 3	10.25	16
SelectTV	5 mths to Sept 30	5.51 (13.7)	0.52 (0.81)	0.21 (0.29)	-	-	-	-
Shelton (Marine)	5 mths to Sept 30	2.34 (2.1)	0.01 (0.09)	0.16 (1.18)	Feb 28	2.5	2.5	2.5
Stanley Leisure	5 mths to Oct 30	154 (151)	7.34 (5.37)	8.33 (8.15)	Feb 24	1.75	1.75	5.0
Investment Trusts	NAV (p)	Net Assets (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends (p)	Dividend cover	Dividend yield (%)
Aberforth Split	5 mths to Dec 31	254.5 (289.2)	1.32 (0.83)	4.26 (5.02)	Mar 3	2	2	8.48
Second Cons	Yr to Oct 31	100.5 (81)	1.4 (0.9)	4.1 (2.82)	Mar 3	2.1	3.8	2.1

Dividends shown net. Figures in brackets are for corresponding period. 10p increased capital. 500M stock. 40p comparative for 11-month period. 100M 40p (same to date). 100M operating income.



SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left. You see, refugees are just like you and me.

Except for one thing.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing.

And nothing is all they'll ever have unless we all extend a helping hand. We know you can't give them back the things that others have taken away.



UNHCR
United Nations High Commissioner for Refugees

We're not even asking for money (though every cent certainly helps). But we are asking that you keep an open mind. And a smile of welcome.

It may not seem much. But to a refugee it can mean everything. UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world.

UNHCR Public Information
P.O. Box 2500
1211 Geneva 2, Switzerland

Financial Times.
World Business Newspaper.

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Friday, January 20.



COMMODITIES AND AGRICULTURE

Way cleared for Siberia's giant gold development

By Kenneth Gooding, Mining Correspondent

The way is now clear for development of Sukhoi Log in Siberia, the world's biggest known gold deposit, according to Mr Michael Bates, chief executive of Star Mining Corporation, the small Australian company that has 34.9 per cent of the venture.

After six years of sometimes difficult negotiations, license and security agreements were signed last month which "in terms of Russian law gives us as clean and enforceable deal as it is possible to get," he said.

If all went well, a feasibility study should be completed by June, and construction of a conventional, hard rock, open pit mine would begin at the end of 1996. Mr Bates said he guessed production would be phased in with initial annual output of 300,000 troy ounces in 1998 rising to more than 2m after about 2,002.

Cash costs would be among the lowest in the industry, no more than \$180 an ounce, despite the difficulties of mining in Siberia. The Lena gold fields, which contain Sukhoi Log - with its reserves of 50m ounces and resources of 100m - and several other substantial gold deposits, are in the Bodaibo region of Russia's

Irkutsk Province.

The joint venture company, Lenagold Mining (LenaGold), in which the Russian government, with 38 per cent, and its 9,000 employees, with 17 per cent, are shareholders, owns the development and mining rights to an area of 105,000 square kilometres, about the size of England.

Star is obliged to provide the project with US\$250m in the next 18 months and already has paid \$50m of this. Mr Bates said in London yesterday Star would seek more capital from international investors after the feasibility study was ready. Star, at present quoted in Australia, would look for listings in London and New York and, possibly, Toronto.

There was also the possibility that Lenagold itself might be floated in London and on Russian stock exchanges "to release its full value for the Russians".

Mr Bates refused to give an estimate of the total cost of developing Sukhoi Log but analysts suggested it would be about \$800m.

Mr Bates, a 49-year-old Englishman, was recruited by Star last October from Lac Minerals, the Canadian group recently taken over by Barrick Gold (formerly American Barrick). Previously he spent

many years with RTZ, the world's biggest mining company, first with its Rossing uranium subsidiary in Namibia and later with Kennecott's gold operations in the US.

While Sukhoi Log is being developed, the joint venture will have cash flow from alluvial (surface, free gold) mining which has taken place for 148 years and produced at least 30m ounces of gold - making Lenagold one of the biggest gold producers in the history of the world industry.

Lenagold would see "a small profit" from these operations in 1995, according to its business plan, and would produce about 220,000 ounces attributable to the joint venture this year, rising to 300,000 by 1998.

During 1995 infrastructure would be transferred from Lenagold to the Irkutsk authorities, non-core businesses would be privatised and a bonus incentive scheme introduced, said Mr Bates.

Nearly half of Star's shares are held by the founders, who include Mr Ian MacNee, the Australian entrepreneur whose persistence finally won the joint venture agreement. Other big holders include Mercury Asset Management, 10 per cent, and ANZ Nominees, 7.5 per cent.

Bullion price rally continues

By Our Commodities Staff

The gold price continued its recent rally yesterday, closing in London at \$383 a troy ounce, up \$3 on the day and \$11.20 above the \$/m low reached at the beginning of last week.

Dealers thought the market could be poised for further gains. After an afternoon fixing at \$382.50 an ounce one dealer told the Reuters news agency "if we can end the day above \$383 then I think a test of \$385 will be mounted in the near future and if that should break then \$390 could be reached very quickly."

"I think this morning's move was sparked off by one [investment] fund, with the professionals amongst others quickly jumping on the bandwagon," he added.

Another trader said sentiment was influenced by signs of inflation in the US economy. The silver market was also steadier. The cash price ended above its recent resistance level at \$4.915 an ounce, up 4 cents on the day.

Platinum followed gold's rally but continued to find resistance between \$420 and \$425 an ounce hard to break. It closed \$6.35 higher at \$421, a level last seen at the end of October.

North Sea oil output scales fresh heights

By Karen Fossil in Oslo

Last year was a time of mixed fortunes for North West Europe's oil and gas industry, but North Sea crude oil/natural gas liquids production scaled new heights. The total rose 18 per cent to a record daily average of 5.31m barrels, according to a report soon to be published by Edinburgh-based energy analyst Wood MacKenzie.

North Sea hydrocarbon production, including gas, advanced nearly 15 per cent to 7.4m b/d, also a record.

WoodMac said there was considerable unrest among oil

companies about fiscal and licensing regimes of some North Sea producing countries which, combined with a \$1.09 per barrel slump in the average Brent oil price to \$15.97 a barrel, perpetuated a sharp decline in exploration activity.

The analyst noted, however, that although exploration fell to its lowest level since 1988, the success rate was up substantially on previous years. Just 33 North Sea exploration/appraisal wells were completed in 1994, excluding the UK, 13 fewer than in 1993.

In Norway, the success rate rose to 40 per cent from 15 per cent in 1993 as the discovery

rate increased to 42m barrels of oil equivalent per exploration well. The success rate in the Netherlands shot up to 80 per cent from 23 per cent.

Norway saw the number of exploration/appraisal wells drilled fall by 8 per cent and the Netherlands by 57 per cent, while activity in Ireland and Denmark continued at low levels.

The number and volume of recoverable reserves upgrades for existing fields, excluding the UK, was relatively low compared with 1993, WoodMac said.

Corporate activity was lively in 1994 with a number of key

deals completed in both the Netherlands and Norway and several smaller ones in Denmark, France, Germany and Ireland.

Excluding the UK, North Sea oil/NGL production last year set a new record of 2.82m b/d, representing a rise of 13 per cent. The Netherlands led the rate of increase with production up 89 per cent to 58,000 b/d while Norway set a new record at 2.67m b/d, 13 per cent up on 1993.

Oil/NGL output from the UK sector rose to 2.4m b/d, which was 25 per cent higher than in 1993, according to preliminary WoodMac estimates.

Caribbeans protest at US banana offensive

By Canute James in Kingston

Caribbean banana exporters to Europe have protested at the US plan to retaliate against the European Union's banana import regime because it discriminates against US producers.

"They fear that the EU could be forced to change its import arrangement, reducing the region's preferential access for the fruit."

Dominica and St Lucia, two of the leading producers in the Windward Islands, which supply most of the bananas consumed in Britain, have sent letters to the US government condemning the decision of Mr Mickey Kantor, the US trade representative, to invite retaliation against European products.

Dame Eugenia Charles, the

prime minister of Dominica, fears the EU may try to appease the Americans by re-examining the controversial 18-month old arrangement. "If they do, it means that we will suffer because if the EU enlarges the banana import quotas of the US companies, our quotas will get smaller," she says.

"We have to fight very hard to get the Americans to live up to the undertaking which they gave us during the summit of the Americas last month."

Mr George Mallet, St Lucia's trade minister, says his government is "baffled" and "extremely disturbed" by the position taken by the US trade representative.

Caribbean producers have been surprised at the latest US action, following Washington's statement last month that it

would not oppose a General Agreement on Tariffs and Trade waiver of the Lomé Convention, the trade treaty that allows preferential treatment for bananas from traditional suppliers. The US statement was made amid reports that some Caribbean leaders were planning to boycott the summit of the Americas in Miami unless the US moderated its attitude to the EU banana regime.

The US government and the Caribbean exporters agreed last month to establish a committee to discuss the banana controversy, while the US trade representative continued its investigation of the claims of discrimination made by the US banana producers.

"The committee of Caribbean and US officials has not yet commenced its deliberations, yet we have this statement by the US trade representative that the conclusions arrived at so far suggest that the European trade regime is discriminatory," Mr Mallet says.

Caribbean officials say that the region's producers had left the December discussions with the impression that any action by the US would be delayed until trade officials from Washington and the Caribbean had concluded their meeting.

"The climate of confidence" in the Caribbean industry that followed earlier US support for special treatment of Caribbean banana exports is in danger of being seriously eroded, Mr Mallet says. Caribbean producers are consulting with others in the African, Caribbean and Pacific group about "collective measures" to protect their European market access.

MARKET REPORT

Speculative buying lifts base metals at LME

Base metals prices ended firmer on a wave of speculative buying at the London Metal Exchange yesterday, but profit-taking at the highs capped the move.

"A lot of speculative buying early ran into inevitable profit-taking, but the afternoon closes were still very constructive," one dealer said.

The earthquake in Japan attracted early buying on perceptions that reconstruction in the affected area would boost demand for metals, particu-

larly NICKEL, used in stainless steel. The three months delivery price for that metal tested a 4½-year high of \$10,100 a tonne, helped by constructive chart patterns, and closed at \$9,970, up 60¢.

The closure of Sumitomo's LEAD and ZINC plant in Harima leant further support, although the company has said it would meet contractual obligations. Zinc ended \$15 up at \$1,200 a tonne, while lead was \$6 higher at \$680. Traders said the market was now looking

for lead to break its recent high of \$700.

COPPER hit a fresh 5½-year high of \$3,060 a tonne for three months delivery, boosted by Far Eastern merchant buying, and closed at \$3,040, up \$57 on balance.

ALUMINIUM touched a 4½-year high of \$2,121 a tonne before easing to \$2,114, up \$24 on the day.

At the London Commodity Exchange robusta COFFEE futures ended mostly lower in thin volume after a listless ses-

sion devoid of fresh news.

The market continued to keep a careful eye, however, on the International Coffee Organisation meeting being held this week in London. And traders said Indonesia were unwilling to go short ahead of today's gathering of the Association of Coffee Producing Countries, arguing that any news emerging from the meeting was likely to be fairly positive for the market.

Compiled from Reuters

March start for Sydney's revamped wool futures

The Sydney Futures Exchange said yesterday that it would begin trading its revamped deliverable wool futures contract on March 13, reports Reuters from Sydney.

The new contract will be based on 21 micron wool, finer than the 22m micron standard for the inactive existing cash settlement contract.

"The majority of wool is now

being produced at 21 microns, so there will now be a more precise closure of futures against the actual prices of wool," exchange chief executive Mr Les Hosking said.

The new contract was an important step in the SFE's plans to expand commodity products within Australia and Asia, he added.

Specifications of the contract

include a weight of 2,500 kg (clean), 21 micron diameter, 1 per cent vegetable matter, 90 mm staple length, and good colour and topmaking style. Non-measurable characteristics will be determined by industry-agreed procedures.

Premiums and discounts will apply to variations from standard to reflect actual commercial differences in value for the

deliverable grades, derived from physical auction prices, the SFE said.

Contract months will be February, April, June, August, October and December up to 18 months ahead.

Delivery centres will be approved warehouses in the major wool selling centres of Sydney, Melbourne, Fremantle, Adelaide and Brisbane.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Associated Metal Trading)

ALUMINIUM, 3% SDR (per tonne)

Cash 3 mths
2098-9 2106-7
2095-5.5

Close 2098-9 2106-7
2095-5.5

High/Low 2098-9 2106-7
2095-5.5

AM Official 2098-9 2106-7
2095-5.5

Open Int. 21,121-5
N/A

Total daily turnover 56,687

ALUMINIUM ALLOY (5% per tonne)

Close 1980-70 2005-10
1985-85 2000-5

High/Low 1980-70 2005-10
1985-85 2000-5

AM Official 1980-70 2005-10
1985-85 2000-5

Open Int. 2,822
567

Total daily turnover 567

LEAD (5% per tonne)

Close 645-6 682-4
645-6 682-4

High/Low 645-6 682-4
645-6 682-4

AM Official 645-6 682-4
645-6 682-4

Open Int. 32,277
6,238

Total daily turnover 6,238

NICKEL (5% per tonne)

Close 9795-905 9970-90
9800-70 9930-40

High/Low 9795-905 9970-90
9800-70 9930-40

AM Official 9795-905 9970-90
9800-70 9930-40

Open Int. 81,149
14,556

Total daily turnover 14,556

TIN (5% per tonne)

Close 6290-90 6370-5
6145-35 6230-40

High/Low 6290-90 6370-5
6145-35 6230-40

AM Official 6290-90 6370-5
6145-35 6230-40

Open Int. 21,299
4,558

Total daily turnover 4,558

ZINC, special high grade (5% per tonne)

Close 1171-2 1187-8
1144-5 1170-1

High/Low 1171-2 1187-8
1144-5 1170-1

AM Official 1171-2 1187-8
1144-5 1170-1

Open Int. 30,282
3,330

Total daily turnover 3,330

COPPER, grade A (5% per tonne)

Close 3090-5-15 3040-1
2975-5 2982-5

High/Low 3090-5-15 3040-1
2975-5 2982-5

AM Official 3090-5-15 3040-1
2975-5 2982-5

Open Int. 231,702
85,108

Total daily turnover 85,108

LME AM Official 5 mths 1.5791
LME Closing 5 mths 1.5791

Spot 1.5795 3 mths 1.5888 6 mths 1.5980 9 mths 1.5982

HIGH GRADE COPPER (COMEX)

Close 141-6 140-0 141-0 142-0 2,035 243

High/Low 141-6 140-0 141-0 142-0 2,035 243

AM Official 141-6 140-0 141-0 142-0 2,035 243

Open Int. 137,810 136,470 135,210 134,110 578 394

Total 135,510 134,110 132,510 131,110 578 394

2 mths 135,510 134,110 132,510 131,110 578 394

3 mths 135,510 134,110 132,510 131,110 578 394

4 mths 135,510 134,110 132,510 131,110 578 394

5 mths 135,510 134,110 132,510 131,110 578 394

6 mths 135,510 134,110 132,510 131,110 578 394

7 mths 135,510 134,110 132,510 131,110 578 394

8 mths 135,510 134,110 132,510 131,110 578 394

9 mths 135,510 134,110 132,510 131,110 578 394

10 mths 135,510 134,110 132,510 131,110 578 394

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16 mths 135,510 134,110 132,510 131,110 578 394

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18 mths 135,510 134,110 132,510 131,110 578 394

19 mths 135,510 134,110 132,510 131,110 578 394

20 mths 135,510 134,110 132,510 131,110 578 394

21 mths 135,510 134,110 132,510 131,110 578 394

22 mths 135,510 134,110 132,510 131,110 578 394

23 mths 135,510 134,110 132,510 131,110 578 394

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37 mths 135,510 134,110 132,510 131,110 578 394

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39 mths 135,510 134,110 132,510 131,110 578 394

40 mths 135,510 134,110 132,510 131,110 578 394

41 mths 135,510 134,110 132,510 131,110 578 394

42 mths 135,510 134,110 132,510 131,110 578 394

CURRENCIES AND MONEY

MARKETS REPORT

Dollar and pound firm on strong economic figures

The enhanced prospect of a US interest rate rise and higher than expected UK inflation figures lifted both the dollar and the pound on a quiet day for currencies, writes James Harding.

Investors were none the wiser about the implications of the Kobe earthquake on the Japanese yen, and, by default, maintained a moderate bias in favour of the US dollar.

On the European crosses, the lira was saved from heavy selling by profit-taking on the D-Mark and hopes that Italy's day old government may survive beyond next week's confidence motion in parliament.

The pound rose, prompted by strong UK economic data and helped further by the combination of a weakening D-Mark and strengthening dollar.

The UK retail prices index rose a higher than expected 2.8 per cent in the year to December after November's 2.6 per

cent increase. Unemployment fell by 54,600, higher than forecast. Short sterling prices slipped in the wake of the figures, indicating heightened market expectations that the Bank of England would raise interest rates sooner rather than later.

Sterling closed in London up half a penny against the D-Mark at DM2.4044 against DM2.3953 the previous day and half a cent on the dollar at \$1.5715 over Tuesday's \$1.5662.

There was little interest in the dollar for most of the day. Against the D-Mark, it drifted around Tuesday's close of DM1.532 as traders continued to mull over the earthquake's possible effects on the dollar-yen rate.

Pound in New York

Jan 18 1.5662
Jan 19 1.5715
3m 1.5687
1y 1.5628

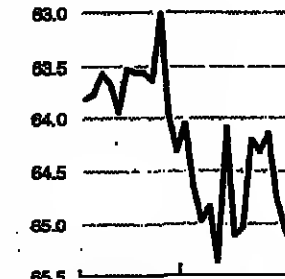
The rise in November's business inventories at an expected 0.7 per cent rate barely stirred the markets. Comments from Mr Alan Blinder, US Fed vice chairman, who warned about strong economic growth, did not immediately unsettle the dollar. It continued to bounce in a narrow range, closing at DM1.53.

The dollar was stronger against the Japanese yen, closing at ¥99.425 in London against Tuesday's finish of ¥99.075. It picked up further after the Beige Book, the Fed's regional outlook on the economy showed continuing momentum in US consumer spending, fuelling speculation of a rate rise at the end of the month. It was quoted at ¥98.68 in early US afternoon trading.

The earthquake in Japan continued to leave the yen sidelined. "There is still uncertainty about how to interpret the effects of the earthquake on the currency," explained Mr Jeremy Hawkins, senior eco-

Yen

Against the D-Mark (¥ per DM)



Source: FT Graphix

economic advisor at Bank of America.

The Canadian dollar hit another nine year low yesterday. It closed in London at C\$1.422 against the US dollar down from C\$1.395 on Tuesday. The market was unsettled by the Bank of Canada's monetary intervention on Tuesday. "Although we have

seen some really aggressive tightening from the Bank of Canada it has come too late. From the currency angle, interest rate hikes have got to be pre-emptive," one analyst said.

Profit taking on long D-Mark positions prevented blood-letting on the Italian lira and Spanish peseta. Traders, who had piled into the German currency, the leading European safe haven, over recent weeks, took the opportunity of a quiet day on the crosses to sell some D-Marks and make a profit.

This, coupled with fluctuating expectations over whether Mr Lamberto Dini, the newly inaugurated premier, could muster a majority in parliament, saved the lira from heavy selling that had been forecast yesterday morning.

After coming close to historic lows on Tuesday night, the lira closed in London at L1.057 against the D-Mark down from Tuesday's 1.048.

The Spanish peseta followed a similar pattern. Having fallen to a low yesterday morning at Ptas 87.27, the softening D-Mark allowed it to close up at Ptas 86.99, barely changed from Tuesday's Ptas 86.99.

The long-awaited announcement that Mr Edouard Balladur, the French premier, was making a bid for the presidency did not rattle the markets. The French franc finished against the D-Mark at FFfr 4.458 after FFfr 4.457 on Tuesday.

In the London money market, the Bank of England forecast a shortage of £1.05bn. It provided assistance of £235m at established rates and late assistance of £360m.

OTHER CURRENCIES

Jan 18 177.85 178.78 173.10 173.00
Jan 19 177.85 178.78 173.10 173.00
US Dollar 1.5715 1.5662 1.5687 1.5628
UK 1.5715 1.5662 1.5687 1.5628

POUND SPOT FORWARD AGAINST THE POUND

Jan 19	Closing mid-point	Change on day	5d/10d	1m	3m	6m	1y	Bank of England
Europe	16.5108	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Australia	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Belgium	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Denmark	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
France	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Germany	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Greece	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Ireland	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Italy	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Luxembourg	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Netherlands	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Norway	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Portugal	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Spain	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Sweden	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Switzerland	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
UK	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
USA	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
SDR	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 19	Closing mid-point	Change on day	5d/10d	1m	3m	6m	1y	J.P. Morgan
Europe	16.5108	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Australia	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Belgium	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Denmark	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
France	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Germany	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Greece	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Ireland	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Italy	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Luxembourg	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Netherlands	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Norway	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Portugal	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Spain	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Sweden	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
Switzerland	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
UK	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
USA	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1
SDR	1.6518	+0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	11.1

CROSS RATES AND DERIVATIVES

Jan 19	Open	Settle	Change	High	Low	Est. vol	Open	Settle	Change
Belgium	1.6518	1.6518	+0.0002	1.6518	1.6518	1.6518	1.6518	1.6518	+0.0002
Denmark	1.6518	1.6518	+0.0002	1.6518	1.6518	1.6518	1.6518	1.6518	+0.0002
France	1.6518	1.6518	+0.0002	1.6518	1.6518	1.6518	1.6518	1.6518	+0.0002
Germany	1.6518	1.6518	+0.0002	1.6518	1.6518	1.6518	1.6518	1.6518	+0.0002
Greece	1.6518	1.6518	+0.0002	1.6518	1.6518	1.6518	1.6518	1.6518	+0.0002
Ireland	1.6518	1.6518	+0.0002	1.6518	1.6518	1.6518	1.6518	1.6518	+0.0002
Italy	1.6518	1.6518	+0.0002	1.6518	1.6518	1.6518	1.6518	1.6518	+0.0002
Netherlands	1.6518	1.6518	+0.0002	1.6518	1.6518	1.6518	1.6518	1.6518	+0.0002
Norway	1.6518	1.6518	+0.0002	1.6518	1.6518	1.6518	1.6518	1.6518	+0.0002
Portugal	1.6518	1.6518	+0.0002	1.6518	1.6518	1.6518	1.6518	1.6518	+0.0002
Spain	1.6518	1.6518	+0.0002	1.6518	1.6518	1.6518	1.6518	1.6518	+0.0002
Sweden	1.6518	1.6518	+0.0002	1.6518	1.6518	1.6518	1.6518	1.6518	+0.0002
Switzerland	1.6518	1.6518	+0.0002	1.6518	1.6518	1.6518	1.6518	1.6518	+0.0002
UK	1.6518	1.6518	+0.0002	1.6518	1.6518	1.6518	1.6518	1.6518	+0.0002
USA	1.6518	1.6518	+0.0002	1.6518	1.6518	1.6518	1.6518	1.6518	+0.0002
SDR	1.6518	1.6518	+0.0002	1.6518	1.6518	1.6518	1.6518	1.6518	+0.0002

JAPANESE YEN FUTURES (MAY 1995) \$100 per Yen 100

Jan 19	Open	Settle	Change	High	Low	Est. vol	Open	Settle	Change
Mar	1.6518	1.6518	+0.0002	1.6518	1.6518	1.6518	1.6518	1.6518	+0.0002
Jun	1.6518	1.6518	+0.0002	1.6518	1.6518	1.6518	1.6518	1.6518	+0.0002
Sep	1.6518	1.6518	+0.0002	1.6518	1.6518	1.6518	1.6518	1.6518	+0.0002

EUROPEAN CURRENCY UNIT RATES

Jan 19	Open	Settle	Change	High	Low	Est. vol	Open	Settle	Change
Mar	1.6518	1.6518	+0.0002	1.6518	1.6518	1.6518	1.6518	1.6518	+0.0002
Jun	1.6518	1.6518	+0.0002	1.6518	1.6518	1.6518	1.6518	1.6518	+0.0002
Sep	1.6518	1.6518	+0.0002	1.6518	1.6518	1.6518	1.6518	1.6518	+0.0002

WORLD INTEREST RATES

January 18	Over night	One month	Three months	Six months	One year	Long term	Debt	Repo
Belgium	4%	5%	5%	5%	5%	7.40	4.80	-
Denmark	4%	5%	5%	5%	5%	7.40	4.80	-
France	4%	5%	5%	5%	5%	7.40	4.80	-
Germany	4%	5%	5%	5%	5%	7.40	4.80	-
Italy	4%	5%	5%	5%	5%	7.40	4.80	-
Netherlands	4%	5%	5%	5%	5%	7.40	4.80	-
Portugal	4%	5%	5%	5%	5%	7.40	4.80	-
Spain	4%	5%	5%	5%	5%	7.40	4.80	-
Sweden	4%	5%	5%	5%	5%	7.40	4.80	-
Switzerland	4%	5%	5%	5%	5%	7.40	4.80	-
UK	4%	5%	5%	5%	5%	7.40	4.80	-
USA	4%	5%	5%	5%	5%	7.40	4.80	-
Japan	4%	5%	5%	5%	5%	7.40	4.80	-

ECU Linked Debit rates: 1 mth 5%, 3 mth 5%, 6 mth 5%, 1 year 7%, 2 year 7%, 3 year 7%, 4 year 7%, 5 year 7%, 10 year 7%, 15 year 7%, 20 year 7%, 25 year 7%, 30 year 7%, 35 year 7%, 40 year 7%, 45 year 7%, 50 year 7%, 55 year 7%, 60 year 7%, 65 year 7%, 70 year 7%, 75 year 7%, 80 year 7%, 85 year 7%, 90 year 7%, 95 year 7%, 100 year 7%.

ECU Linked Debit rates: 1 mth 5%, 3 mth 5%, 6 mth 5%, 1 year 7%, 2 year 7%, 3 year 7%, 4 year 7%, 5 year 7%, 10 year 7%, 15 year 7%, 20 year 7%, 25 year 7%, 30 year 7%, 35 year 7%, 40 year 7%, 45 year 7%, 50 year 7%, 55 year 7%, 60 year 7%, 65 year 7%, 70 year 7%, 75 year 7%, 80 year 7%, 85 year 7%, 90 year 7%, 95 year 7%, 100 year 7%.

ECU Linked Debit rates: 1 mth 5%, 3 mth 5%, 6 mth 5%, 1 year 7%, 2 year 7%, 3 year 7%, 4 year 7%, 5 year 7%, 10 year 7%, 15 year 7%, 20 year 7%, 25 year 7%, 30 year 7%, 35 year 7%, 40 year 7%, 45 year 7%, 50 year 7%, 55 year 7%, 60 year 7%, 65 year 7%, 70 year 7%, 75 year 7%, 80 year 7%, 85 year 7%, 90 year 7%, 95 year 7%, 100 year 7%.

ECU Linked Debit rates: 1 mth 5%, 3 mth 5%, 6 mth 5%, 1 year 7%, 2 year 7%, 3 year 7%, 4 year 7%, 5 year 7%, 10 year 7%, 15 year 7%, 20 year 7%, 25 year 7%, 30 year 7%, 35 year 7%, 40 year 7%, 45 year 7%, 50 year 7%, 55 year 7%, 60 year 7%, 65 year 7%, 70 year 7%, 75 year 7%, 80 year 7%, 85 year 7%, 90 year 7%, 95 year 7%, 100 year 7%.

ECU Linked Debit rates: 1 mth 5%, 3 mth 5%, 6 mth 5%, 1 year 7%, 2 year 7%, 3 year 7%, 4 year 7%, 5 year 7%, 10 year 7%, 15 year 7%, 20 year 7%, 25 year 7%, 30 year 7%, 35 year 7%, 40 year 7%, 45 year 7%, 50 year 7%, 55 year 7%, 60 year 7%, 65 year 7%, 70 year 7%, 75 year 7%, 80 year 7%, 85 year 7%, 90 year 7%, 95 year 7%, 100 year 7%.

ECU Linked Debit rates: 1 mth 5%, 3 mth 5%, 6 mth 5%, 1 year 7%, 2 year 7%, 3 year 7%, 4 year 7%, 5 year 7%, 10 year 7%, 15 year 7%, 20 year 7%, 25 year 7%, 30 year 7%, 35 year 7%, 40 year 7%, 45 year 7%, 50 year 7%, 55 year 7%, 60 year 7%, 65 year 7%, 70 year 7%, 75 year 7%, 80 year 7%, 85 year 7%, 90 year 7%, 95 year 7%, 100 year 7%.

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ECU Linked Debit rates: 1 mth 5%, 3 mth 5%, 6 mth 5%, 1 year 7%, 2 year 7%, 3 year 7%, 4 year 7%, 5 year 7%, 10 year 7%, 15 year 7%, 20 year 7%, 25 year 7%, 30 year 7%, 35 year 7%, 40 year 7%, 45 year 7%, 50 year 7%, 55 year 7%, 60 year 7%, 65 year 7%, 70 year 7%, 75 year 7%, 80 year 7%, 85 year 7%, 90 year 7%, 95 year 7%, 100 year 7%.

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TRANSCRIPT - Cont.

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[illegible]

MANAGED FUNDS NOTES

These are the names of the mutual funds and their investment objectives. The fund names are listed in the order in which they were first listed in the prospectus. The fund names are listed in the order in which they were first listed in the prospectus.

1. **Investment Objective** - The fund's investment objective is to invest in securities of the United States and foreign countries. The fund's investment objective is to invest in securities of the United States and foreign countries.

2. **Investment Strategy** - The fund's investment strategy is to invest in securities of the United States and foreign countries. The fund's investment strategy is to invest in securities of the United States and foreign countries.

3. **Investment Manager** - The fund's investment manager is the manager of the fund's investment portfolio. The fund's investment manager is the manager of the fund's investment portfolio.

4. **Investment Advisor** - The fund's investment advisor is the advisor of the fund's investment portfolio. The fund's investment advisor is the advisor of the fund's investment portfolio.

5. **Investment Consultant** - The fund's investment consultant is the consultant of the fund's investment portfolio. The fund's investment consultant is the consultant of the fund's investment portfolio.

6. **Investment Research** - The fund's investment research is the research of the fund's investment portfolio. The fund's investment research is the research of the fund's investment portfolio.

7. **Investment Analysis** - The fund's investment analysis is the analysis of the fund's investment portfolio. The fund's investment analysis is the analysis of the fund's investment portfolio.

8. **Investment Monitoring** - The fund's investment monitoring is the monitoring of the fund's investment portfolio. The fund's investment monitoring is the monitoring of the fund's investment portfolio.

9. **Investment Reporting** - The fund's investment reporting is the reporting of the fund's investment portfolio. The fund's investment reporting is the reporting of the fund's investment portfolio.

10. **Investment Disclosure** - The fund's investment disclosure is the disclosure of the fund's investment portfolio. The fund's investment disclosure is the disclosure of the fund's investment portfolio.

11. **Investment Compliance** - The fund's investment compliance is the compliance of the fund's investment portfolio. The fund's investment compliance is the compliance of the fund's investment portfolio.

12. **Investment Governance** - The fund's investment governance is the governance of the fund's investment portfolio. The fund's investment governance is the governance of the fund's investment portfolio.

13. **Investment Ethics** - The fund's investment ethics is the ethics of the fund's investment portfolio. The fund's investment ethics is the ethics of the fund's investment portfolio.

14. **Investment Sustainability** - The fund's investment sustainability is the sustainability of the fund's investment portfolio. The fund's investment sustainability is the sustainability of the fund's investment portfolio.

15. **Investment Impact** - The fund's investment impact is the impact of the fund's investment portfolio. The fund's investment impact is the impact of the fund's investment portfolio.

16. **Investment Risk** - The fund's investment risk is the risk of the fund's investment portfolio. The fund's investment risk is the risk of the fund's investment portfolio.

17. **Investment Return** - The fund's investment return is the return of the fund's investment portfolio. The fund's investment return is the return of the fund's investment portfolio.

18. **Investment Volatility** - The fund's investment volatility is the volatility of the fund's investment portfolio. The fund's investment volatility is the volatility of the fund's investment portfolio.

19. **Investment Correlation** - The fund's investment correlation is the correlation of the fund's investment portfolio. The fund's investment correlation is the correlation of the fund's investment portfolio.

20. **Investment Diversification** - The fund's investment diversification is the diversification of the fund's investment portfolio. The fund's investment diversification is the diversification of the fund's investment portfolio.

21. **Investment Concentration** - The fund's investment concentration is the concentration of the fund's investment portfolio. The fund's investment concentration is the concentration of the fund's investment portfolio.

22. **Investment Liquidity** - The fund's investment liquidity is the liquidity of the fund's investment portfolio. The fund's investment liquidity is the liquidity of the fund's investment portfolio.

23. **Investment Solvency** - The fund's investment solvency is the solvency of the fund's investment portfolio. The fund's investment solvency is the solvency of the fund's investment portfolio.

24. **Investment Capital Structure** - The fund's investment capital structure is the capital structure of the fund's investment portfolio. The fund's investment capital structure is the capital structure of the fund's investment portfolio.

25. **Investment Leverage** - The fund's investment leverage is the leverage of the fund's investment portfolio. The fund's investment leverage is the leverage of the fund's investment portfolio.

26. **Investment Credit Rating** - The fund's investment credit rating is the credit rating of the fund's investment portfolio. The fund's investment credit rating is the credit rating of the fund's investment portfolio.

27. **Investment Default Risk** - The fund's investment default risk is the default risk of the fund's investment portfolio. The fund's investment default risk is the default risk of the fund's investment portfolio.

28. **Investment Interest Rate Risk** - The fund's investment interest rate risk is the interest rate risk of the fund's investment portfolio. The fund's investment interest rate risk is the interest rate risk of the fund's investment portfolio.

29. **Investment Inflation Risk** - The fund's investment inflation risk is the inflation risk of the fund's investment portfolio. The fund's investment inflation risk is the inflation risk of the fund's investment portfolio.

30. **Investment Currency Risk** - The fund's investment currency risk is the currency risk of the fund's investment portfolio. The fund's investment currency risk is the currency risk of the fund's investment portfolio.

31. **Investment Market Risk** - The fund's investment market risk is the market risk of the fund's investment portfolio. The fund's investment market risk is the market risk of the fund's investment portfolio.

32. **Investment Systemic Risk** - The fund's investment systemic risk is the systemic risk of the fund's investment portfolio. The fund's investment systemic risk is the systemic risk of the fund's investment portfolio.

33. **Investment Idiosyncratic Risk** - The fund's investment idiosyncratic risk is the idiosyncratic risk of the fund's investment portfolio. The fund's investment idiosyncratic risk is the idiosyncratic risk of the fund's investment portfolio.

34. **Investment Total Risk** - The fund's investment total risk is the total risk of the fund's investment portfolio. The fund's investment total risk is the total risk of the fund's investment portfolio.

35. **Investment Expected Return** - The fund's investment expected return is the expected return of the fund's investment portfolio. The fund's investment expected return is the expected return of the fund's investment portfolio.

36. **Investment Standard Deviation** - The fund's investment standard deviation is the standard deviation of the fund's investment portfolio. The fund's investment standard deviation is the standard deviation of the fund's investment portfolio.

37. **Investment Coefficient of Variation** - The fund's investment coefficient of variation is the coefficient of variation of the fund's investment portfolio. The fund's investment coefficient of variation is the coefficient of variation of the fund's investment portfolio.

38. **Investment Sharpe Ratio** - The fund's investment Sharpe ratio is the Sharpe ratio of the fund's investment portfolio. The fund's investment Sharpe ratio is the Sharpe ratio of the fund's investment portfolio.

39. **Investment Treynor Ratio** - The fund's investment Treynor ratio is the Treynor ratio of the fund's investment portfolio. The fund's investment Treynor ratio is the Treynor ratio of the fund's investment portfolio.

40. **Investment Jensen's Alpha** - The fund's investment Jensen's alpha is the Jensen's alpha of the fund's investment portfolio. The fund's investment Jensen's alpha is the Jensen's alpha of the fund's investment portfolio.

41. **Investment Beta** - The fund's investment beta is the beta of the fund's investment portfolio. The fund's investment beta is the beta of the fund's investment portfolio.

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43. **Investment R-squared** - The fund's investment R-squared is the R-squared of the fund's investment portfolio. The fund's investment R-squared is the R-squared of the fund's investment portfolio.

44. **Investment Correlation Coefficient** - The fund's investment correlation coefficient is the correlation coefficient of the fund's investment portfolio. The fund's investment correlation coefficient is the correlation coefficient of the fund's investment portfolio.

45. **Investment Covariance** - The fund's investment covariance is the covariance of the fund's investment portfolio. The fund's investment covariance is the covariance of the fund's investment portfolio.

46. **Investment Variance** - The fund's investment variance is the variance of the fund's investment portfolio. The fund's investment variance is the variance of the fund's investment portfolio.

47. **Investment Standard Error** - The fund's investment standard error is the standard error of the fund's investment portfolio. The fund's investment standard error is the standard error of the fund's investment portfolio.

48. **Investment Confidence Interval** - The fund's investment confidence interval is the confidence interval of the fund's investment portfolio. The fund's investment confidence interval is the confidence interval of the fund's investment portfolio.

49. **Investment Hypothesis Testing** - The fund's investment hypothesis testing is the hypothesis testing of the fund's investment portfolio. The fund's investment hypothesis testing is the hypothesis testing of the fund's investment portfolio.

50. **Investment Regression Analysis** - The fund's investment regression analysis is the regression analysis of the fund's investment portfolio. The fund's investment regression analysis is the regression analysis of the fund's investment portfolio.

51. **Investment Time Series Analysis** - The fund's investment time series analysis is the time series analysis of the fund's investment portfolio. The fund's investment time series analysis is the time series analysis of the fund's investment portfolio.

52. **Investment Cross-sectional Analysis** - The fund's investment cross-sectional analysis is the cross-sectional analysis of the fund's investment portfolio. The fund's investment cross-sectional analysis is the cross-sectional analysis of the fund's investment portfolio.

53. **Investment Panel Data Analysis** - The fund's investment panel data analysis is the panel data analysis of the fund's investment portfolio. The fund's investment panel data analysis is the panel data analysis of the fund's investment portfolio.

54. **Investment Econometric Modeling** - The fund's investment econometric modeling is the econometric modeling of the fund's investment portfolio. The fund's investment econometric modeling is the econometric modeling of the fund's investment portfolio.

55. **Investment Financial Modeling** - The fund's investment financial modeling is the financial modeling of the fund's investment portfolio. The fund's investment financial modeling is the financial modeling of the fund's investment portfolio.

56. **Investment Risk Management** - The fund's investment risk management is the risk management of the fund's investment portfolio. The fund's investment risk management is the risk management of the fund's investment portfolio.

57. **Investment Portfolio Management** - The fund's investment portfolio management is the portfolio management of the fund's investment portfolio. The fund's investment portfolio management is the portfolio management of the fund's investment portfolio.

58. **Investment Asset Allocation** - The fund's investment asset allocation is the asset allocation of the fund's investment portfolio. The fund's investment asset allocation is the asset allocation of the fund's investment portfolio.

59. **Investment Factor Investing** - The fund's investment factor investing is the factor investing of the fund's investment portfolio. The fund's investment factor investing is the factor investing of the fund's investment portfolio.

60. **Investment Alternative Investments** - The fund's investment alternative investments is the alternative investments of the fund's investment portfolio. The fund's investment alternative investments is the alternative investments of the fund's investment portfolio.

61. **Investment Private Equity** - The fund's investment private equity is the private equity of the fund's investment portfolio. The fund's investment private equity is the private equity of the fund's investment portfolio.

62. **Investment Venture Capital** - The fund's investment venture capital is the venture capital of the fund's investment portfolio. The fund's investment venture capital is the venture capital of the fund's investment portfolio.

63. **Investment Real Estate** - The fund's investment real estate is the real estate of the fund's investment portfolio. The fund's investment real estate is the real estate of the fund's investment portfolio.

64. **Investment Commodity** - The fund's investment commodity is the commodity of the fund's investment portfolio. The fund's investment commodity is the commodity of the fund's investment portfolio.

65. **Investment Energy** - The fund's investment energy is the energy of the fund's investment portfolio. The fund's investment energy is the energy of the fund's investment portfolio.

66. **Investment Healthcare** - The fund's investment healthcare is the healthcare of the fund's investment portfolio. The fund's investment healthcare is the healthcare of the fund's investment portfolio.

67. **Investment Technology** - The fund's investment technology is the technology of the fund's investment portfolio. The fund's investment technology is the technology of the fund's investment portfolio.

68. **Investment Consumer Goods** - The fund's investment consumer goods is the consumer goods of the fund's investment portfolio. The fund's investment consumer goods is the consumer goods of the fund's investment portfolio.

69. **Investment Financial Services** - The fund's investment financial services is the financial services of the fund's investment portfolio. The fund's investment financial services is the financial services of the fund's investment portfolio.

70. **Investment Industrial** - The fund's investment industrial is the industrial of the fund's investment portfolio. The fund's investment industrial is the industrial of the fund's investment portfolio.

71. **Investment Consumer Services** - The fund's investment consumer services is the consumer services of the fund's investment portfolio. The fund's investment consumer services is the consumer services of the fund's investment portfolio.

72. **Investment Media** - The fund's investment media is the media of the fund's investment portfolio. The fund's investment media is the media of the fund's investment portfolio.

73. **Investment Telecommunications** - The fund's investment telecommunications is the telecommunications of the fund's investment portfolio. The fund's investment telecommunications is the telecommunications of the fund's investment portfolio.

74. **Investment Utilities** - The fund's investment utilities is the utilities of the fund's investment portfolio. The fund's investment utilities is the utilities of the fund's investment portfolio.

75. **Investment Transportation** - The fund's investment transportation is the transportation of the fund's investment portfolio. The fund's investment transportation is the transportation of the fund's investment portfolio.

76. **Investment Aerospace** - The fund's investment aerospace is the aerospace of the fund's investment portfolio. The fund's investment aerospace is the aerospace of the fund's investment portfolio.

77. **Investment Defense** - The fund's investment defense is the defense of the fund's investment portfolio. The fund's investment defense is the defense of the fund's investment portfolio.

78. **Investment Space** - The fund's investment space is the space of the fund's investment portfolio. The fund's investment space is the space of the fund's investment portfolio.

79. **Investment Nuclear** - The fund's investment nuclear is the nuclear of the fund's investment portfolio. The fund's investment nuclear is the nuclear of the fund's investment portfolio.

80. **Investment Environmental**

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MARKET REPORT

Shares recover in spite of poor RPI numbers

By Terry Byland,
UK Stock Market Editor

A relatively successful performance by UK equities yesterday in the face of somewhat negative economic developments failed to convince the market professionals that the mood has changed. Most saw the market continuing to trade within its existing range as it digests this week's heavy list of global economic statistics.

The FT-SE 100-share index edged into positive territory at the close, helped by a rally in the bond markets; at its final reading of 3,054.9, the index was 0.5 up. The FT-SE Mid 250 index shed 1.6 to 3,465.

Prospects for domestic interest rates, which have dominated the market since the turn of the year, turned negative again following the

announcement of an unexpected rise of 0.5 per cent in the headline December retail price index. "This makes a base rate rise before the end of the quarter virtually inevitable," said one leading analyst.

Interest rate worries were not helped by confirmation that the Halifax Building Society, Britain's largest home loan group, will raise mortgage rates today, although by less than 1/4 percentage point, according to the society. Such a move would be largely a catch-up rise for mortgage rates rather than an indication of new pressures, but would do little for the battered confidence of British consumers.

Both bonds and equities fell on the RPI news, the Footsie dipping just over 10 points at the day's low. The retail data was balanced by a slight moderation in November

average earnings levels, although analysts warned that upward pressure on wages was strengthening.

Reports, originating in the futures markets, that the Bundesbank plans to trim German interest rates today helped to calm nerves, although London analysts believed that interest rate policies in the UK will be driven by domestic considerations.

The rally in equities in the second half of the session brushed off a dull opening on Wall Street, where the Dow Average was nearly 20 points down in UK trading hours. Traders claimed that share prices were helped by share option expiries in the derivatives markets, where the prospect of the expiry tomorrow of an index option was also a factor. A buy programme from a UK bank was also noted as shares advanced.

The recovery came mostly in the

blue chip stocks, and the Footsie was boosted by a rise in S.G. Warburg on a new wave of bid rumours; a US or a German bank was thought to be a likely bidder. There was a steep rise in Mercury Asset Management, the subsidiary which proved the stumbling block in Warburg's merger talks with Morgan Stanley.

Other merchant banking and allied stocks moved sharply as the market assessed the implications for the sector of a successful bid for Warburg.

The market's hopes of benefit from the Christmas retail season received a further blow from a disappointing trading statement from Kingfisher, one of the leading high street store groups. This morning will bring the official UK retail sales statistics for December, and

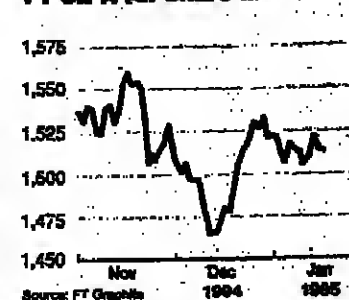
the stock market also awaits trading news from Marks and Spencer, the brightest star in the retailing sector.

Trading volume of 806.6m shares through the Sean session yesterday compared with 530.2m in the previous session when retail, or genuine customer, business in equities remained solid at a worth of £1.22bn.

Traders appear to be becoming increasingly nervous regarding the near term outlook for the UK equity market. Since the turn of the year, share prices have traded steadily within a narrow range and resisted uncertainty on the interest rate front.

Strategists believe that the market is now close to a break-out point; however, views are polarised between optimism and pessimism.

FT-SE-A All-Share Index



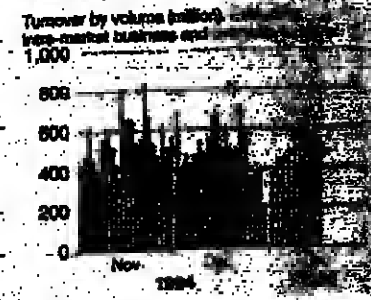
Key Indicators

Indices and ratios		
FT-SE 100	3054.9	+0.5
FT-SE Mid 250	3465.0	-1.6
FT-SE-A 350	1528.4	-0.2
FT-SE-A All-Share	1513.85	-0.02
FT-SE-A All-Share yield	4.03	(4.03)

Best performing sectors

1 Banks, Merchant	+2.6
2 Retailers, Food	+1.0
3 Household Goods	+0.8
4 Extractive Inds	+0.7
5 Other Financial	+0.6

Equity Shares Traded



FT Ordinary Index	2338.1
FT-SE-A Non Firm pr	17.88
FT-SE 100 Div Mar	3085.0
10 yr Gilt yield	8.75
Long Gilt/equity yield ratio	2.19

Worst performing sectors	
1 Other Services & Bns	-2.5
2 Water	-1.0
3 Tobacco	-1.2
4 Spirits, Wine & Beer	-1.0
5 Retailers, General	-0.8

Warburg on alert again

S.G. Warburg, regarded by many as the UK's premier merchant bank, and its 75 per cent owned fund management associate Mercury Asset Management, posted two of the biggest gains in the market as rumours of imminent corporate activity involving the two groups circulated in the City.

Morgan Stanley, the US investment bank, held merger talks with Warburg last month, but these broke down as the groups could not agree on a price for the Mercury business.

Dealers said the usual suspects were trotted out: HSBC, Dresdner Bank, JP Morgan and Deutsche Bank. Deutsche Bank, rumoured to be preparing a rights issue to fund a bid, quickly denied the stories, while JP Morgan declined to comment.

Specialists refused to rule out predatory moves against Warburg/Mercury and pointed to the unusually high levels of activity and big moves in both stocks. "This was not simply an amateurish attempt to ramp the shares," said one dealer, who added that it was the Mercury share price that moved up first yesterday, triggering the surge of rumours in Warburg.

Analysts said any bid for Warburg would have to be in

the region of 850p a share to stand any chance of success, given that its asset value alone stands at 800p-plus. A reasonable exit price for Mercury was said to be in the region of £10.50. It was pointed out that a bidder could easily introduce big cost savings at Warburg, similar to the cuts made only last week when Warburg shut down its eurobond department, saving around £25m a year.

S.G. Warburg shares raced up 41 to 737p, on heavy turnover of 2m. Mercury shares leapt 52 to 748p on turnover of 1.1m.

The excitement sweeping through the merchant banks area saw Kleinwort Benson, perceived to be another prime takeover target in the sector, surge 29 to 576p with 1.4m shares changing hands.

Kingfisher gloom

Stores group Kingfisher was by far the hardest hit stock in the Footsie list yesterday. The shares fell heavily on record turnover, and analysts cut forecasts in response to the company's latest trading statement. The statement poured fuel on a bear story which has seen the stock plummet 40 per cent over the past 12 months.

Kingfisher said Woolworths was expected to post a shortfall of around a third in operating profits against the last full year, and it reported a 10.6 per cent fall in like-for-like sales at Comet.

Analysts downgraded forecasts from a range of £10m to £30m this year to below £200m

and Kingfisher shares dropped 19 to 402p with turnover reaching 15m.

S.G. Warburg, one of the house brokers, is believed to have taken the stock off the buy list, although the relevant analyst was unavailable for comment. And BZW, a long standing seller of the stock, moved to £280m from £315m previously.

Mr Tony Shire, of BZW, said that despite the sharp slide in the shares have underperformed the FT-SE All-share index and the sector substantially on a one and two-year view - he saw no reason to turn more positive. "We do not feel the fundamental problems regarding competitive vulnerability in two or three core businesses have been addressed," he said.

Bae strong

British Aerospace bounded ahead by 9 1/2 to 480 1/2p in 5.5m turnover following confirmation

that it was about to finalise a turbo-prop engine with ATR, a joint venture between Aerospatiale, of France, and Alenia, of Italy.

Submarine maker VSEL gained a further 13 to 148 1/2p on a five-day advance of almost 6 per cent. Bids for VSEL from Bae and electronics giant GEC await a mid-March monopolies ruling. Despite yesterday's gain, VSEL stands at a 7 1/2p discount to the value of BAE's all-share offer.

The market's hopes of benefit from the Christmas retail season received a further blow from a disappointing trading statement from Kingfisher, one of the leading high street store groups. This morning will bring the official UK retail sales statistics for December, and

the stock market also awaits trading news from Marks and Spencer, the brightest star in the retailing sector.

Trading volume of 806.6m shares through the Sean session yesterday compared with 530.2m in the previous session when retail, or genuine customer, business in equities remained solid at a worth of £1.22bn.

Traders appear to be becoming increasingly nervous regarding the near term outlook for the UK equity market. Since the turn of the year, share prices have traded steadily within a narrow range and resisted uncertainty on the interest rate front.

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the 1995 third quarter and this plainly reinforced the London market's optimism. British Steel finished 3 1/2 higher at 155 1/2p.

The composite insurers picked up well after an uncertain start, helped by news that Direct Line, Royal Bank of Scotland's direct selling insurance subsidiary, had decided not to cut its motor insurance premiums.

TeleWest, the cable television group, ran up 5 to 180 1/2p ahead of news expected shortly of subscriber and other operational figures.

The water issues were given a rough ride after the utilities team at BZW was said to have taken the sector off its buy list, shifting it to a hold.

The worst performers in the sector included Welsh down 17 at 610p, Northumbrian, off 12 at 200p, and Yorkshire, 9 higher at 505p, all of which were said to have been labelled sells by BZW.

Exhibitions and conference company Blenheim landed 36 to 199p after warning on 1994 year-end profits. Analysts said BZW, one of the company's brokers, cut its forecasts for the group by 52m to £33m.

Television group Sunset and Vine moved forward 6 to 129p after a subsidiary won the contract to cover UK cricket for BSkyB.

Pharmaceutical group Wellcome, hard hit by the failure to get US provisional approval to sell its anti-herpes treatment without prescription, recovered 16 to 579p.

Chiroscience, the pharmaceutical group floated a year ago, jumped 16 to 113p ahead of a key research meeting.

Diversified industrial BTR got the better of some modest switching with Hanson, firming 1 1/2 to 304 1/2p. Hanson eased

to 243 1/2p in 9.5m turnover.

The two-way pull in Tomkins left the shares 1 1/2 better at 333 1/2p on 5.8m trading, with Robert Fleming confident about the group's operating margins and recommending a buy but Williams de Broe more cautious, urging a sell into strength.

Leading brewer Bass was also a switch beneficiary, gaining 6 to 520p in modest turnover at the expense of Guinness, which dipped 8 to 430p on 7.3m volume as S.G. Warburg downgraded its profits estimate by £10m to £905m.

MARKET REPORTERS:

Steve Thompson,
Peter John,
Jeffrey Brown.

LONDON RECENT ISSUES: EQUITIES

Issue	Price	Size	Time	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38	2038/39	2039/40	2040/41	2041/42	2042/43	2043/44	2044/45	2045/46	2046/47	2047/48	2048/49	2049/50	2050/51	2051/52	2052/53	2053/54	2054/55	2055/56	2056/57	2057/58	2058/59	2059/60	2060/61	2061/62	2062/63	2063/64	2064/65	2065/66	2066/67	2067/68	2068/69	2069/70	2070/71	2071/72	2072/73	2073/74	2074/75	2075/76	2076/77	2077/78	2078/79	2079/80	2080/81	2081/82	2082/83	2083/84	2084/85	2085/86	2086/87	2087/88	2088/89	2089/90	2090/91	2091/92	2092/93	2093/94	2094/95	2095/96	2096/97	2097/98	2098/99	2099/00	2100/01	2101/02	2102/03	2103/04	2104/05	2105/06	2106/07	2107/08	2108/09	2109/10	2110/11	2111/12	2112/13	2113/14	2114/15	2115/16	2116/17	2117/18	2118/19	2119/20	2120/21	2121/22	2122/23	2123/24	2124/25	2125/26	2126/27	2127/28	2128/29	2129/30	2130/31	2131/32	2132/33	2133/34	2134/35	2135/36	2136/37	2137/38	2138/39	2139/40	2140/41	2141/42	2142/43	2143/44	2144/45	2145/46	2146/47	2147/48	2148/49	2149/50	2150/51	2151/52	2152/53	2153/54	2154/55	2155/56	2156/57	2157/58	2158/59	2159/60	2160/61	2161/62	2162/63	2163/64	2164/65	2165/66	2166/67	2167/68	2168/69	2169/70	2170/71	2171/72	2172/73	2173/74	2174/75	2175/76	2176/77	2177/78	2178/79	2179/80	2180/81	2181/82	2182/83	2183/84	2184/85	2185/86	2186/87	2187/88	2188/89	2189/90	2190/91	2191/92	2192/93	2193/94	2194/95	2195/96	2196/97	2197/98	2198/99	2199/00	2200/01	2201/02	2202/03	2203/04	2204/05	2205/06	2206/07	2207/08	2208/09	2209/10	2210/11	2211/12	2212/13	2213/14	2214/15	2215/16	2216/17	2217/18	2218/19	2219/20	2220/21	2221/22	2222/23	2223/24	2224/25	2225/26	2226/27	2227/28	2228/29	2229/30	2230/31	2231/32	2232/33	2233/34	2234/35	2235/36	2236/37	2237/38	2238/39	2239/40	2240/41	2241/42	2242/43	2243/44	2244/45	2245/46	2246/47	2247/48	2248/49	2249/50	2250/51	2251/52	2252/53	2253/54	2254/55	2255/56	2256/57	2257/58	2258/59	2259/60	2260/61	2261/62	2262/63	2263/64	2264/65	2265/66	2266/67	2267/68	2268/69	2269/70	2270/71	2271/72	2272/73	2273/74	2274/75	2275/76	2276/77	2277/78	2278/79	2279/80	2280/81	2281/82	2282/83	2283/84	2284/85	2285/86	2286/87	2287/88	2288/89	2289/90	2290/91	2291/92	2292/93	2293/94	2294/95	2295/96	2296/97	2297/98	2298/99	2299/00	2300/01	2301/02	2302/03	2303/04	2304/05	2305/06	2306/07	2307/08	2308/09	2309/10	2310/11	2311/12	2312/13	2313/14	2314/15	2315/16	2316/17	2317/18	2318/19	2319/20	2320/21	2321/22	2322/23	2323/24	2324/25	2325/26	2326/27	2327/28	2328/29	2329/30	2330/31	2331/32	2332/33	2333/34	2334/35	2335/36	2336/37	2337/38	2338/39	2339/40	2340/41	2341/42	2342/43	2343/44	2344/45	2345/46	2346/47	2347/48	2348/49	2349/50	2350/51	2351/52	2352/53	2353/54	2354/55	2355/56	2356/57	2357/58	2358/59	2359/60	2360/61	2361/62	2362/63	2363/64	2364/65	2365/66	2366/67	2367/68	2368/69	2369/70	2370/71	2371/72	2372/73	2373/74	2374/75	2375/76	2376/77	2377/78	2378/79	2379/80	2380/81	2381/82	2382/83	2383/84	2384/85	2385/86	2386/87	2387/88	2388/89	2389/90	2390/91	2391/92	2392/93	2393/94	2394/95	2395/96	2396/97	2397/98	2398/99	2399/00	2400/01	2401/02	2402/03	2403/04	2404/05	2405/06	2406/07	2407/08	2408/09	2409/10	2410/11	2411/12	2412/13	2413/14	2414/15	2415/16	2416/17	2417/18	2418/19	2419/20	2420/21	2421/22	2422/23	2423/24	2424/25	2425/26	2426/27	2427/28	2428/29	2429/30	2430/31	2431/32	2432/33	2433/34	2434/35	2435/36	2436/37	2437/38	2438/39	2439/40	2440/41	2441/42	2442/43	2443/44	2444/45	2445/46	2446/47	2447/48	2448/49	2449/50	2450/51	2451/52	2452/53	2453/54	2454/55	2455/56	2456/57	2457/58	2458/59	2459/60	2460/61	2461/62	2462/63	2463/64	2464/65	2465/66	2466/67	2467/68	2468/69	2469/70	2470/71	2471/72	2472/73	2473/74	2474/75	2475/76	2476/77	2477/78	2478/79	2479/80	2480/81	2481/82	2482/83	2483/84	2484/85	2485/86	2486/87	2487/88	2488/89	2489/90	2490/91	2491/92	2492/93	2493/94	2494/95	2495/96	2496/97	2497/98	2498/99	2499/00	2500/01	2501/02	2502/03	2503/04	2504/05	2505/06	2506/07	2507/08	2508/09	2509/10	2510/11	2511/12	2512/13	2513/14	2514/15	2515/16	2516/17	2517/18	2518/19	2519/20	2520/21	2521/22	2522/23	2523/24	2524/25	2525/26	2526/27	2527/28	2528/29	2529/30	2530/31	2531/32	2532/33	2533/34	2534/35	2535/36	2536/37	2537/38	2538/39	2539/40	2540/41	2541/42	2542/43	2543/44	2544/45	2545/46	2546/47	2547/48	2548/49	2549/50	2550/51	2551/52	2552/53	2553/54	2554/55	2555/56	2556/57	2557/58	2558/59	2559/60	2560/61	2561/62	2562/63	2563/64	2564/65	2565/66	2566/67	2567/68	2568/69	2569/70	2570/71	2571/72	2572/73	2573/74	2574/75	2575/76	2576/77	2577/78	2578/79	2579/80	2580/81	2581/82	2582/83	2583/84	2584/85	2585/86	2586/87	2587/88	2588/89	2589/90	2590/91	2591/92	2592/93	2593/94	2594/95	2595/96	2596/97	2597/98	2598/99	2599/00	2600/01	2601/02	2602/03	2603/04	2604/05	2605/06	2606/07	2607/08	2608/09	2609/10	2610/11	2611/12	2612/13	2613/14	2614/15	2615/16	2616/17	2617/18	2618/19	2619/20	2620/21	2621/22	2622/23	2623/24	2624/25	2625/26	2626/27	2627/28	2628/29	2629/30	2630/31	2631/32	2632/33	2633/34	2634/35	2635/36	2636/37	2637/38	2638/39	2639/40	2640/41	2641/42	2642/43	2643/44	2644/45	2645/46	2646/47	2647/48	2648/49	2649/50	2650/51	2651/52	2652/53	2653/54	2654/55	2655/56	2656/57	2657/58	2658/59	2659/60	2660/61	2661/62	2662/63	2663/64	2664/65	2665/66	2666/67	2667/68	2668/69	2669/70	2670/71	2671/72	2672/73	2673/74	2674/75	2675/76	2676/77	2677/78	2678/79	2679/80	2680/81	2681/82	2682/83	2683/84	2684/85	2685/86	2686/87	2687/88	2688/89	2689/90	2690/91	2691/92	2692/93	2693/94	2694/95	2695/96	2696/97	2697/98	2698/99	2699/00	2700/01	2701/02	2702/03	2703/04	2704/05	2705/06	2706/07	2707/08	2708/09	2709/10	2710/11	2711/12	2712/13	2713/14	2714/15	2715/16	2716/17	2717/18	2718/19	2719/20	2720/21	2721/22	2722/23	2723/24	2724/25	2725/26	2726/27	2727/28	2728/29	2729/30	2730/31	2731/32	2732/33	2733/34	2734/35	2735/36	2736/37	2737/38	2738/39	2739/40	2740/41	2741/42	2742/43	2743/44	2744/45	2745/46	2746/47	2747/48	2748/49	2749/50	2750/51	2751/52	2752/53	2753/54	2754/55	2755/56	2756/57	2757/58	2758/59	2759/60	2760/61	2761/62	2762/63	2763/64	2764/65	2765/66	2766/67	2767/68	2768/69	2769/70	2770/71	2771/72	2772/73	2773/74	2774/75	2775/76	2776/77	2777/78	2778/79	2779/80	2780/81	2781/82	2782/83	2783/84	2784/85	2785/86	2786/87	2787/88	2788/89	2789/90	2790/91	2791/92	2792/93	2793/94	2794/95	2795/96	2796/97	2797/98	2798/99	2799/00	2800/01	2801/02	2802/03	2803/04	2804/05	2805/06	2806/07	2807/08	2808/09	2809/10	2810/11	2811/12	2812/13	2813/14	2814/15	2815/16	2816/17	2817/18	2818/19	2819/20	2820/21	2821/22	2822/23	2823/24	2824/25	2825/26	2826/27	2827/28	2828/29	2829/30	2830/31	2831/32	2832/33	2833/34	2834/35	2835/36	2836/37	2837/38	2838/39	2839/40	2840/41	2841/42	2842/43	2843/44	2844/45	2845/46	2846/47	2847/48	2848/49	2849/50	2850/51	2851/52	2852/53	2853/54	2854/55	2855/56	2856/57	2857/58	2858/59	2859/60	2860/61	2861/62	2862/63	2863/64	2864/65	2865/66	2866/67	2867/68	2868/69	2869/70	2870/71	2871/72	2872/73	2873/74	2874/75	2875/76	2876/77	2877/78	2878/79	2879/80	2880/81	2881/82	2882/83	2883/84	2884/85	2885/86	2886/87	2887/88	2888/89	2889/90	2890/91	2891/92	2892/93	2893/94	2894/95	2895/96	2896/97	2897/98	2898/99	2899/00	2900/01	2901/02	2902/03	2903/04	2904/05	2905/06	2906/07	2907/08	2908/09	2909/10	2910/11	2911/12	2912/13	2913/14	2914/15	2915/16	2916/17	2917/18	2918/19	2919/20	2920/21	2921/22	2922/23	2923/24	2924/25	2925/26	2926/27	2927/28	2928/29	2929/30	2930/31	2931/32	2932/33	2933/34	2934/35	2935/36	2936/37	2937/38	2938/39	2939/40	2940/41	2941/42	2942/43	2943/44	2944/45	2945/46	2946/47	2947/48	2948/49	2949/50	2950/51	2951/52	2952/53	2953/54	2954/55	2955/56	2956/57	2957/58	2958/59	2959/60	2960/61	2961/62	2962/63	2963/64	2964/65	2965/66	2966/67	2967/68	2968/69	2969/70	2970/71	2971/72	2972/73	2973/74	2974/75	2975/76	2976/77	2977/78	2978/79	2979/80	2980/81	2981/82	2982/83	2983/84	2984/85	2985/86	2986/87	2987/88	2988/89	2989/90	2990/91	2991/92	2992/93	2993/94	2994/95	2995/96	2996/97	2997/98	2998/99	2999/00	3000/01	3001/02	3002/03	3003/04	3004/05	3005/06	3006/07	3007/08	3008/09	3009/10	3010/11	3011/12	3012/13	3013/14	3014/15	3015/16	3016/17	3017/18	3018/19	3019/20	3020/21	3021/22	3022/23	3023/2
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	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Obayashi Corp	12.9m	710	+25	Sato Kogyo	5.5m	798	+5
Okumura Corp	9.6m	870	+70	Sumitomo Const	5.1m	485	+5
Nissansan Castals	8.2m	485	+20	Daiwa Const	5.1m	611	+4
Sumitomo F&M Ins	7.0m	690	+50	Nippon Steel (Steel)	5.2m	567	+2
		918		Yokohama Corp	5.1m	567	+2

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AMERICA

Profit taking hits Dow after Beige Book news

Wall Street

US shares gave back recent gains yesterday morning as investors took profits, writes Lisa Bransford in New York.

By 1pm, the Dow Jones Industrial Average was down 15.14 at 3,915.52. The Standard & Poor's 500 lost 1.15 at 469.50 and the Nasdaq composite 2.12 at 770.02. The American Stock Exchange composite firmed 0.64 to 438.73. NYSE volume was 196m shares.

Since last Thursday the Dow had gained more than 71 points, after weak economic data suggested to investors that the Federal Reserve might not raise interest rates at its January 31 meeting of the open market committee.

Before last week there was a near-universal consensus on Wall Street that there would be a further round of fiscal tightening following the meeting, although there was some debate about how high the Fed might lift rates.

New data out this week, however, has shown that the economy remained strong and that the pendulum has swung back in favour of another rate increase. The Beige Book, a summary of economic activity, released yesterday described the economy as "vibrant around much of the nation in recent months".

Business inventory figures for November, also released yesterday by the Commerce Department, suggested that companies would continue to increase production and add to the strength of the current recovery. In November, business inventories grew by 0.7 per cent, while sales jumped by 1.0 per cent.

Also driving the market yesterday was another round of earnings reports. Pfizer moved ahead \$1 to \$78 after reporting higher than expected net income. Other companies that announced earnings higher than expectations included US West, up \$4 at \$357, Morton

International, \$4 ahead at \$30, and Boise Cascade, unchanged at \$26.

Shares of AMR, the parent company of American Airlines, lost \$4 to \$58, although the company's earnings increased in 1994 compared with 1993. BankAmerica, down \$4 at \$41, and Sysco, off \$4 at \$28, both lost ground in spite of reporting earnings substantially in line with expectations.

Kmart, which put on \$3 at \$14, added to the gains made on Tuesday after the retailer announced that it would replace Mr Joseph Antonini as chairman. Mr Antonini will stay on as president and chief executive.

Union Pacific lost \$4 at \$48 after the railroad company announced that it was raising its bid for Santa Fe Pacific to \$18.5 a share or \$3.50m. Shares of Santa Fe gained \$4 at \$18.5 on the news.

General Motors lost \$1 to \$40 after a strike broke out at a parts plant, threatening a repeat of a strike last summer which brought production at several of the car plants to a halt.

Mexico

Share prices fell in early trading, pressured by some profit-taking and negative reaction to a less than expected fall in interest rates at the central bank's weekly auction.

The IPC index was off 36.02 or 1.6 per cent at 2,173.47 in low volume of 6.3m shares.

At the auction the rate on the benchmark 28-day Cetes fell by 100 basis points to 39 per cent. Of 37 shares traded, 24 rose and three fell.

Brazil

Shares in São Paulo were off 3 per cent at mid-session, wiping out most of Tuesday's gain, as a bout of profit-taking took hold.

The Bovespa index was down 1,287 at 40,811, in turnover of

R\$107.7m (\$127.4m). Many investors were waiting for a senate vote scheduled for later in the session on a bill regulating government concessions of public services to state and private companies. This would determine whether or not the privatisation of the electrical sector would be speeded up, analysts said.

Telebras preferred was down 1.7 per cent at R\$34. The Comit index registered a fall of 13.39 to 637.96 but the real time Mibtel index finished 157 higher at 10,761, after a low of 10,268.

Turnover was estimated at around L1,300m, down from the levels of the previous two days but more than double that seen in recent weeks; this, said an analyst, indicated buying by foreign and domestic investors during the session.

Flat saw strong demand late in the day, picking up from a low of L6,325 to finish L113 ahead at L6,630 in volume of 31.6m shares. Generali rose L360 to L38,887, and Montedison was L31 higher at L1,345 in heavy volume of 82m shares.

PARIS recovered its composure after mid-session turbulence, and the CAC-40 index

ended 3.33 up at 1,860.27, after a low of 1,843.51.

Mr Edouard Balladur's confirmation that he would contest the presidential election failed to excite a great deal of interest: an announcement had been expected for days.

Peugeot was the day's main feature on a report which said that it was considering a return to the US car market, which it left in 1991.

With a suggestion that investment could reach a maximum of \$4m, the shares fell heavily at the start of trade, touched a low of FF770, recovered slightly and closed off FF713 or 1.7 per cent at FF726.

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EUROPE

Bourses recover from earlier weakness

With variations, recovery after weakness seemed to be the theme of the day, writes Our Markets Staff.

MILAN was volatile, sinking 3.3 per cent in early trade in response to what appeared to be an increasing intractable political situation. But subsequently, prices picked up to finish 1.5 per cent higher amid indications that Mr Silvio Berlusconi, the outgoing prime minister, might offer support, albeit temporarily, to enable the new administration of Mr Lamberto Dini to survive.

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FT-SE Actuaries Share Indices

		THE EUROPEAN SERIES									
		Heavy changes	Open	10.30	11.00	12.00	13.00	14.00	15.00		
FT-SE 100	1319.80	1320.26	1320.33	1320.58	1320.88	1321.19	1321.11	1321.01	1321.01	1321.01	1321.01
FT-SE 250	1379.54	1379.41	1379.50	1379.58	1379.58	1379.58	1379.58	1379.58	1379.58	1379.58	1379.58

		THE EUROPEAN SERIES									
		Heavy changes	Open	10.30	11.00	12.00	13.00	14.00	15.00		
FT-SE 100	1319.80	1320.26	1320.33	1320.58	1320.88	1321.19	1321.11	1321.01	1321.01	1321.01	1321.01
FT-SE 250	1379.54	1379.41	1379.50	1379.58	1379.58	1379.58	1379.58	1379.58	1379.58	1379.58	1379.58

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10 per cent. But subsequently the shares improved to close SF780 ahead at SF783.55 as analysts drew attention to a strong performance from existing pharmaceutical product lines, before acquisitions.

Ascom, the telecommunications group, jumped SF75 or 6.3 per cent to SF71.250, as the company confirmed that it expected to report a return to profit for 1994 following losses of SF336.6m in 1993 and SF46.4m in 1992.

FRANKFURT was rescued in the afternoon by a rally in bund futures. After easing 5.02 to 2,078.05 during the official session, the Dax index recovered to an indicated 2,085.62 in the post-bourse. Turnover fell from DM5.9m to DM4.8m.

In a strategy review, Hoechst indicated that the German equity market was trapped by its relative strength: a prospective p/e ratio of 17.2, the broker said, should be reduced to 15.5 at the end of this year even if the Dax rose to 2,250; but on this basis, the market offered no more than fair value.

Among significant individual stock moves, Continental, the tyre maker, advanced DM4.70 to DM23.70 on the back of price increase hopes, said Mr Christopher Will at Lehman Brothers, and SAP, the com-

puter software group, climbed DM85 or 5.8 per cent to a new 1994-95 peak of DM11.68, up 222 per cent from its 1994 low point of DM35.

AMSTERDAM notched up a modest gain, the AEX index adding 0.56 at 414.45.

Philips continued to attract attention following a number of brokers' upgrades, with the shares appreciating 50 cents to FF11.10. DSM, the chemicals group, improved 60 cents to FF14.1 and, after the close, announced that 1994 net profits were likely to exceed FF150m against earlier projections of FF140m.

MADRID thanked a recovery in bonds and a slight rebound in the peseta as the general index rose 0.32 to 2,822.25, turnover was low at Ptas19.64m.

TEL AVIV swung with the bureaucratic wind. After rising on Tuesday when an income tax commissioner said that implementation of the new capital gains tax on bourse transactions might have to be postponed, the Mibatan index fell 4.76 or 2.9 per cent to 180.05 yesterday after an overnight statement from the Israeli treasury that there would be no delay.

Written and edited by William Costanza, John Pitt and Michael Morgan

ASIA PACIFIC

Constructions in demand after Kansai quake

Tokyo

Volume soared in the aftermath of the Kansai earthquake, but selling on rallies and profit-taking offset gains from construction-related stocks, and the Nikkei 225 average ended fractionally lower, agencies report.

The index was off 18.01 at 19,223.21 after a day's high of 19,321.36 and low of 19,201.10; but brokers, whose own share prices have been depressed by the lack of equity business, were relieved that volume soared to an estimated 340m shares from Tuesday's 210m, hoping that it was the beginning of a trend. Falls led rises by 574 to 423, with 151 issues unchanged.

The Topix index of all first section stocks dipped 3.74 to 1,493.46 and the Nikkei 300 lost 1.10 at 375.54. In London the ISE/Nikkei 50 index firmed 2.38 to 1,237.72.

All of the first section's 10 most heavily traded stocks were related to the earthquake theme. Seven were construction companies, one a cement maker, Sumitomo Osaka, one a glass manufacturer, Nippon Sheet Glass, and the last a non-life insurance company, Nissan F&M Insurance.

Ohayashi and Okumura, both based in Osaka near the hardest hit port city of Kobe, were again the day's most active stocks, rising Y25 to Y710 and Y70 to Y870 for gains of 11.3 and 18.5 per cent since the earthquake struck.

Buyers were principally individual investors and dealers. Sellers hit Mitsubishi Electric, which had five of its factories damaged and fell Y24 to Y665.

Daihatsu Motor, whose Osaka production was badly affected by the quake damage, shed Y28 to Y555. Osaka Gas, which halted gas supply to Kobe and other cities in the region, edged down Y3 to Y381.

Meanwhile, the OSE average fell 66.40 to 21,043.32.

Roundup

Sentiment was mixed around the Pacific Rim, although post-

earthquake speculation arose in Seoul and Taipei.

SEOUL saw an end to its four-day slide as active demand re-emerged on speculation that the earthquake in Japan would lead to sales increases for local companies.

The composite index was 9.70 better at 966.66 after touching 973.94. Brokers said the government's plan to ease its liquidity squeeze for the first quarter and an agreement among stockholding houses to buy more shares also boosted investment interest.

TAIPEI improved 1.7 per cent on strength in cement and steel companies, which could benefit following the earthquake in Japan. The weighted index put on 107.73 at 6,623.52 in turnover of T\$61.2bn.

Chia Hsin, Taiwan Cement, China Steel and Tung Ho Steel all rose by the daily 7 per cent limit. One broker observed that Japan was expected to reduce steel and cement exports to Taiwan because of an increase in domestic demand at home, thereby increasing the likelihood of price rises in cement and steel products.

HONG KONG edged ahead, but turnover was thin after the strong rally earlier in the week. The Hang Seng index finished 23.68 higher at 7,630.20 as turnover shrank from HK\$3bn to HK\$2.2bn.

SINGAPORE's property stocks were hit by late selling after a government land sale brought lower than expected prices. The Straits Times Industrial index slipped 2.48 to

2,103.56. DBS Land gave up 16 cents at S\$3.62 as speculation that it planned to launch a new project shortly at attractive levels to encourage buyers depressed the stock.

KUALA LUMPUR ran into profit-taking after its strong performance in the previous two days and the composite index receded 8.02 to 918.74.

Malaysian Airlines jumped 65 cents to M\$8.30 on rating by analysts following its link with Virgin Atlantic.

BANGKOK featured buying in Electricity Generating (EGCO) and telecommunications issues as the SET index climbed 20.42 to 1,285.57. EGCO added B\$1 at B\$9 in turnover of B\$1.5bn, some 34 per cent of total market volume.

TELECOMASIA rallied for a second consecutive day, rising B\$1 to B\$418.1m, turnover on expectations that the company would reap good profits from a contract to install 2m telephone lines in the Bangkok metropolitan area.

KARACHI dropped at the close amid selling pressure in selective, blue chips which brought the KSE 100-share index below 2,000 to finish 20.70 down at 1,987.97.

SYDNEY ended higher on a late rally in futures prices. The All Ordinaries index gained 8.0 at 1,886.5, the day's high, in turnover of A\$347m.

WELLINGTON saw late buying of leaders which took the NZSE-40 capital index to its highest close so far this year, adding 19.08 at 954.68, in high turnover of NZ\$42.8m.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

		Dollar terms				Local currency terms			
		No. of stocks	Jan. 13 1995	% Change over week	% Change '94	Jan. 13 1995	% Change over week	% Change '94	
Latin America	(258)	542.28	+3.2	-6.5	480,701.71	+5.4	+2.2		
Argentina	(30)	750.84	+5.4	+2.2	1,148,895.072	+4.9	-5.7		
Brazil	(72)	362.83	+4.0	-5.8	1,293.58	+2.9	+1.7		
Chile	(2)	791.87	+2.9	-0.8	1,293.58	+2.9	+1.7		
Colombia	(16)	870.03	+0.6	+7.2	1,300.19	+1.4	+8.8		
Mexico	(73)	583.01	+3.1	-12.2	1,211.54	-4.8	-6.0		
Peru	(20)	174.07	-4.7	-2.4	231.88	-5.1	-2.5		
Venezuela	(12)	459.23	-1.7	-7.2	1,793.33	-1.7	-7.2		
Asia	(558)	226.57	-7.3	-9.2					
China	(20)	85.17	-8.8	-14.1	89.52	-8.9	-14.1		
South Korea	(158)	127.56	-0.1	-6.7	133.25	+0.3	-6.0		
Philippines	(25)	259.64	-11.8	-12.9	307.30	-11.5	-12.5		
Taiwan, China	(59)	151.75	-4.7	-7.7	149.93	-4.6	-7.8		
India	(103)	113.85	-4.4	-8.0	126.62	-4.4	-8.0		
Indonesia	(42)	90.13	-13.2	-9.7	111.34	-10.2	-6.5		
Malaysia	(114)	242.42	-7.6	-8.8	228.98	-7.3	-9.3		
Pakistan	(3)	329.27	-3.6	-2.0	302.22	-3.4	-4.6		
Sri Lanka	(19)	171.55	-3.2	-10.0	185.77	-3.2	-10.0		
Thailand	(68)	352.56	-9.0	-8.1	352.07	-8.9	-7.9		
Euro/Mid East	(147)	115.34	-0.9	-2.7					
Greece	(40)	220.88	-3.0	-2.1	358.51	-4.4	-3.0		
Hungary	(5)	136.34	-8.4	-8.8	189.34	-8.9	-8.3		
Jordan	(1)	152.82	+0.7	+1.7	225.01	+0.4	+1.2		
Poland	(16)	488.02	+0.6	-0.3	714.62	+0.1	-0.8		
Portugal	(29)	119.52	+0.1	-1.3	130.08	-1.1	-4.8		
Turkey	(44)	117.10	-0.1	-3.8	2,193.21	-0.9	-0.7		
Zimbabwe	(5)	249.91	+0.0	+2.1	309.28	+0.4	+2.6		
Composites	(1065)	284.05	-2.4	-7.8					

Indices are calculated at end-week, and weekly changes are percentage movements from the previous Friday. Base date: Dec 1989=100 except those noted which are (Y1990 = 100; Y1991 = 100; Y1992 = 100; Y1993 = 100; Y1994 = 100; Y1995 = 100; Y1996 = 100; Y1997 = 100; Y1998 = 100; Y1999 = 100; Y2000 = 100; Y2001 = 100; Y2002 = 100; Y2003 = 100; Y2004 = 100; Y2005 = 100; Y2006 = 100; Y2007 = 100; Y2008 = 100; Y2009 = 100; Y2010 = 100; Y2011 = 100; Y2012 = 100; Y2013 = 100; Y2014 = 100; Y2015 = 100; Y2016 = 100; Y2017 = 100; Y2018 = 100; Y2019 = 100; Y2020 = 100; Y2021 = 100; Y2022 = 100; Y2023 = 100; Y2024 = 100; Y2025 = 100; Y2026 = 100; Y2027 = 100; Y2028 = 100; Y2029 = 100; Y2030 = 100; Y2031 = 100; Y2032 = 100; Y2033 = 100; Y2034 = 100; Y2035 = 100; Y2036 = 100; Y2037 = 100; Y2038 = 100; Y2039 = 100; Y2040 = 100; Y2041 = 100; Y2042 = 100; Y2043 = 100; Y2044 = 100; Y2045 = 100; Y2046 = 100; Y2047 = 100; Y2048 = 100; Y2049 = 100; Y2050 = 100; Y2051 = 100; Y2052 = 100; Y2053 = 100; Y2054 = 100; Y2055 = 100; Y2056 = 100; Y2057 = 100; Y2058 = 100; Y2059 = 100; Y2060 = 100; Y2061 = 100; Y2062 = 100; Y2063 = 100; Y2064 = 100; Y2065 = 100; Y2066 = 100; Y2067 = 100; Y2068 = 100; Y2069 = 100; Y2070 = 100; Y2071 = 100; Y2072 = 100; Y2073 = 100; Y2074 = 100; Y2075 = 100; Y2076 = 100; Y2077 = 100; Y2078 = 100; Y2079 = 100; Y2080 = 100; Y2081 = 100; Y2082 = 100; Y2083 = 100; Y2084 = 100; Y2085 = 100; Y2086 = 100; Y2087 = 100; Y2088 = 100; Y2089 = 100; Y2090 = 100; Y2091 = 100; Y2092 = 100; Y2093 = 100; Y2094 = 100; Y2095 = 100; Y2096 = 100; Y2097 = 100; Y2098 = 100; Y2099 = 100; Y2100 = 100; Y2101 = 100; Y2102 = 100; Y2103 = 100; Y2104 = 100; Y2105 = 100; Y2106 = 100; Y2107 = 100; Y2108 = 100; Y2109 = 100; Y2110 = 100; Y2111 = 100; Y2112 = 100; Y2113 = 100; Y2114 = 100; Y2115 = 100; Y2116 = 100; Y2117 = 100; Y2118 = 100; Y2119 = 100; Y2120 = 100; Y2121 = 100; Y2122 = 100; Y2123 = 100; Y2124 = 100; Y2125 = 100; Y2126 = 100; Y2127 = 100; Y2128 = 100; Y2129 = 100; Y2130 = 100; Y2131 = 100; Y2132 = 100; Y2133 = 100; Y2134 = 100; Y2135 = 100; Y2136 = 100; Y2137 = 100; Y2138 = 100; Y2139 = 100; Y2140 = 100; Y2141 = 100; Y2142 = 100; Y2143 = 100; Y2144 = 100; Y2145 = 100; Y2146 = 100; Y2147 = 100; Y2148 = 100; Y2149 = 100; Y2150 = 100; Y2151 = 100; Y2152 = 100; Y2153 = 100; Y2154 = 100; Y2155 = 100; Y2156 = 100; Y2157 = 100; Y2158 = 100; Y2159 = 100; Y2160 = 100; Y2161 = 100; Y2162 = 100; Y2163 = 100; Y2164 = 100; Y2165 = 100; Y2166 = 100; Y2167 = 100; Y2168 = 100; Y2169 = 100; Y2170 = 100; Y2171 = 100; Y2172 = 100; Y2173 = 100; Y2174 = 100; Y2175 = 100; Y2176 = 100; Y2177 = 100; Y2178 = 100; Y2179 = 100; Y2180 = 100; Y2181 = 100; Y2182 = 100; Y2183 = 100; Y21